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Review of the implementation of OSCE commitments in the economic and environmental dimension

INTEGRATION, TRADE AND TRANSPORT

Thirteenth OSCE Economic Forum

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Table of contents

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I. Introduction

In December 2004, at the Organization for Security and Co-operation in Europe (OSCE) Ministerial Council meeting in Sofia, the Executive Secretary of the United Nations Economic Commission for Europe (UNECE) and the Secretary General of the OSCE signed a memorandum of understanding between the two secretariats. The memorandum consolidates and deepens – already long-lasting and fruitful – cooperation between the two organizations, particularly in the context of responsibilities related to the annual OSCE Economic Forum where the UNECE is to periodically review various OSCE commitments.

It has been determined that at the Thirteenth OSCE Economic Forum in 2005, the UNECE will review commitments in the cluster called "Integration, Trade and Transport". The principal purpose of this paper is therefore to examine OSCE commitments in the areas of integration (i.e. international trade and capital flows) as well as transport. In the context of integration, assessment of the degree of access to the Internet as well as other forms of modern communication is also required.

The Charter for European Security (Istanbul OSCE Summit 1999) stipulates that the Charter of the United Nations, the Helsinki Final Act, the Charter of Paris and all other OSCE documents to which participating States have agreed represent their common commitments. The documents establish clear standards for participating States' treatment of each other and of all individuals within their territories. The Charter for European Security notes that all OSCE commitments, without exception, apply equally to each participating State. Their implementation in good faith is essential for relations between States, between governments and their peoples, as well as between the organizations of which they are members. Participating States are accountable to their citizens and responsible to each other for their implementation of their OSCE commitments. Commitments are regarded as common achievements and therefore are considered to be matters of immediate and legitimate concern to all participating States.

Since 1990, there have been many, relatively explicit references to integration, trade and transport issues that can be considered OSCE participating States' common commitments. For example,

Document of the Bonn Conference on Economic Co-operation in Europe (1990):

- The participating States will endeavour to achieve or maintain international and domestic policies aimed at expanding the free flow of trade, capital and investment.
- The participating States stress that expeditious process/treatment of goods and persons at international borders stimulates international trade and they will therefore make their borders more open for that purpose. They also stress the importance of trade facilitation and electronic data interchange for their trade relations.

Charter for European Security (Istanbul 1999):

- The participating States reaffirm the importance of independent media and the free flow of information as well as the public's access to information. They commit themselves to take all necessary steps to ensure the basic conditions for free and independent media and unimpeded transborder and intra-State flow of information, which they consider to be an essential component of any democratic, free and open society.

OSCE Strategy Document for the Economic and Environmental Dimension (Maastricht 2003):

- The participating States will assist each other to increase the integration of their economies into the international economic and financial system, above all through early accession to the WTO.

- The participating States will pursue opportunities for regional and subregional economic integration and cooperation, which will be mutually beneficial.

- International trade and investment are vital factors for accelerating economic growth and promoting economic development. The establishment in the OSCE region of open and integrated markets functioning on the basis of compatible or harmonized rules and further liberalization could bring significant economic and other benefits to all the OSCE participating States.

- The participating States are convinced of the benefits of measures to facilitate market access including reduction of custom tariffs and barriers to entry, gradual elimination of non-tariff barriers, harmonization of laws in the sphere of customs regulations and foreign trade, harmonization or equivalence of standards and simplification of access to financial resources, including loans and investments.

- The participating States encourage the development of transport networks in the OSCE region, which are efficient and integrated, free of avoidable safety and security risks and sensitive to the environment.

Integration and security

Economic integration can play an important role in promoting peace in Europe; this was, in fact, the underlying rationale for the creation of the European Union and remains the rationale for the Common European Economic Space. The CEES is designed to serve as a major instrument of further integration between Russia and the EU aimed at supporting stability and increasing long-term economic growth. The EU also has a wide range of cooperation agreements with third countries aimed at enabling them to benefit from the integration process. The most recent EU integration tool – New Neighbourhood – is being elaborated to strengthen ties with non-member neighbouring countries. In the CIS, efforts are being continually made to design and effectively implement a "single economic space”. In North America, a continent-wide free trade agreement has for years contributed to closer economic integration.

Integration – or greater openness towards the flow of foreign goods, services, capital, labour and information – is neither easily defined nor measured. Openness to international trade in goods and services is usually estimated by ratios of value of trade to GDP (see Appendix). By this measure, however, many countries with large domestic markets appear not to be “open” as their reliance on international trade is diminished. There also exist estimates of trade restrictiveness, but they are often methodologically challenging and obtain controversial results (Section II).

Similarly, the measurement of freedom of capital movement is difficult. Section III provides some estimates of *de facto* openness indices as opposed to *de jure* domestic rules that define the degree of capital liberalization. The differences are key as capital flight may illustrate the existence of ineffective capital controls while countries with fully liberalized capital markets may attract no capital flows.

Finally, labour markets in the UNECE region (except the EU to some extent) are generally not integrated. Labour mobility across international borders – despite being able to generate large hypothetical income gains – faces a number of political and institutional barriers. Moreover, the national labour markets in the UNECE members are not well integrated as illustrated by persistent differences in regional unemployment rates. (Labour market mobility is not discussed in this report.)

Economic integration promotes economic development, which, in turn, helps to maintain security. Integration may contribute to peaceful coexistence through several channels. Most importantly, it may increase national incomes. This is significant because many countries in the UNECE area feature low per capita incomes. Moreover, the well-being of a country’s citizens has proven to be an important factor in preventing violent conflicts. The wealthier the country, the less likely it is to go to war.

Integration also influences the type of political institutions countries adopt. The regime type, in addition to material quality of life, has also been found to be a significant determinant of conflict. Integration may also have a positive influence on governance. Good public governance in turn has been shown to be an important determinant of economic progress. Good governance contributes to a favourable investment climate; and investment - both domestic and foreign - generates new jobs and incomes. Membership in international organizations – an equally important integrationist tool – also appears to prevent conflict, particularly with neighbouring countries.

Finally, the Internet has created a platform for dissemination of information, ideas and knowledge across the globe. This platform is potentially truly integrating as it is void of the usual impediments such as border controls and large geographical distances. In this regard, many UNECE members appear to be technological laggards (Section V).

Integration, however, may also be a destabilizing factor – as discussed below – potentially increasing insecurity. Nevertheless, the OSCE participating States have agreed to make integration one of the pillars of the OSCE Economic Dimension.

> The link between security, democracy and prosperity has become increasingly evident in the OSCE area. Economic liberty, social justice and environmental responsibility are indispensable for prosperity. On the basis of these linkages, we will ensure that the economic dimension receives appropriate attention…with a view to promoting the integration of economies in transition into the world economy (*Charter for European Security (Istanbul 1999),* para. 31).

In recent years, violent conflicts or hostilities in the UNECE region have not been uncommon.

> Since we have signed the Charter of Paris…we have experienced conflicts, which have often resulted from flagrant violations of OSCE norms and principles. We have witnessed atrocities of a kind we had thought were relegated to the past (*Charter for European Security (Istanbul 1999),* para. 2).

Overall, violent conflict may be caused by various factors: radical shifts in income or wealth, major institutional changes, high dependence on exports of natural resources and ethnic dominance by a single group. While the causes of conflict are likely to vary, there is broad agreement that a low level of economic development – or prolonged economic decline – is an important factor.[1]

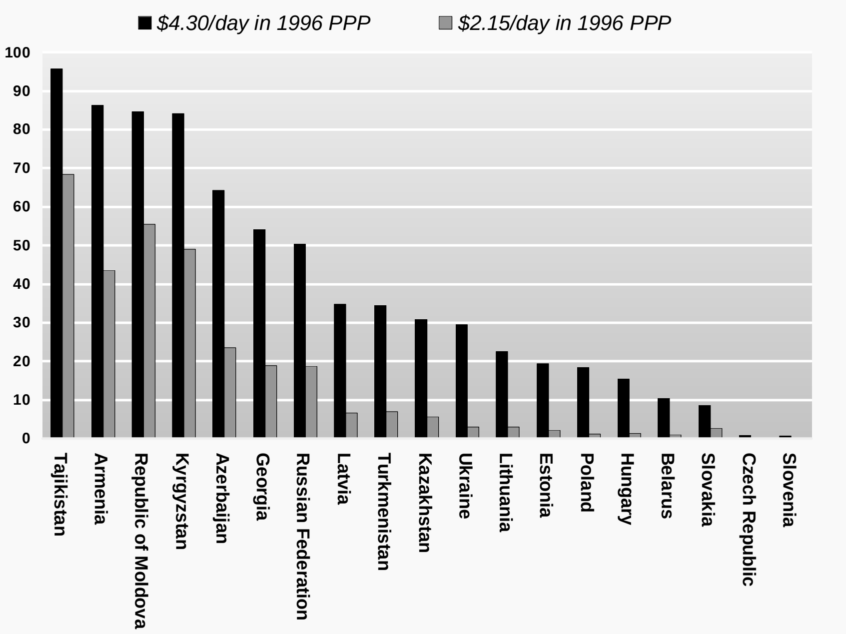
> Acute economic problems and environmental degradation may have serious implications for our security. We will strengthen our responses to such threats through continued economic and environmental reforms, by stable and transparent frameworks for economic activity and by promoting market economies, while paying due attention to economic and social rights (*Charter for European Security (Istanbul 1999),* para. 5).

The Report of the UN Secretary-General's High-level Panel on Threats, Challenges and Change has identified development as the first line of defence for a collective security system. Combating poverty not only saves lives, but it also strengthens states' capacity to combat terrorism and organized crime. In short, development makes everyone more secure. In addition to helping to reduce the risk of conflict, raising standards of living and combating poverty is a legitimate goal in itself (Figure 1). In fact, one of the central

[1] In theory, wars are more probable in poor countries because the opportunity cost of violence is lower and governments of poor countries, which are often dysfunctional and disrespectful of political rights, are the least capable of defending against them. Wars, of course, exacerbate poverty through destruction of infrastructure and productive assets and the loss of human and social capital.

goals formulated at the Millennium Summit is the eradication of poverty and hunger around the world.[2]

Figure 1: Percentage of population living in absolute poverty, selected years 1995-1999



Source : World Bank, *Making Transition Work for Everyone, Poverty and Inequality in Europe and Central Asia* (Washington, D.C.), 2000, p. 35.
Note: * "EE" includes Albania, the Baltic States, Bulgaria, Czech Republic, Hungary, Poland, Romania, Slovakia, Turkey and Former Yugoslavia.
* "OECD" excludes OECD members identified in the "EE".

Poverty however is a multi-faceted and dynamic concept.[3] Its complex causes have made reducing poverty extremely challenging. The most recent poverty-fighting philosophy rests on three pillars: promoting opportunity, facilitating empowerment and enhancing security.[4] This holistic approach explicitly acknowledges that poverty is the result of

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2 The Millennium Development Goals call for reducing the proportion of people living in extreme income poverty by half by 2015. The World Summit for Sustainable Development reaffirmed this goal by stating: "eradicating poverty is the greatest global challenge facing the world today and an indispensable requirement for sustainable development".

3 Traditionally, poverty has been measured by household income surveys, but this approach – dominated by economic analysis – has been shown to fail the many dimensions of poverty. Poor people have indicated that vulnerability, physical and social isolation, insecurity, lack of self-respect, low access to information and powerlessness can be as important as low incomes.

4 In discussing the last aspect of fighting poverty, the World Bank stated that: "violent conflict constitutes one of the most urgent and intractable areas for action affecting some of the poorest people in the world". *World Development Report 2000/2001: Attacking Poverty*, World Bank, September 2000.

complex economic, political and social processes that interact with each other. They are deeply complementary, multidimensional and of unclear causal direction.[5]

While these complex interrelationships between economic, social and political variables are still not well understood, there is currently a consensus that institutions are important to economic growth.[6] They are an integral part of both the costs of exchange and the costs of production and as such define a set of rewards to political and economic activities by either encouraging or discouraging them.[7] As in the case of poverty fighting, there is clearly no one ideal – or will there ever be – institutional design, but institutional performance varies widely across the UNECE area (Figure 2).

The Report of the UN Secretary-General's High-level Panel on Threats, Challenges and Change has noted that the erosion of state capacity anywhere in the world weakens the protection of every state against new threats such as terrorism and organized crime. As a result, every state requires international cooperation to make it secure. Institutions however matter not only to make the world more secure. They also matter for economic development. Economic development, in turn, lowers significantly the probability of conflict. A country with a per capita income of $500 is about twice as likely to have a major conflict begin in a given year than a country with about $4,000 per capita.[8] Institutions however do not exist in national or international vacuums. To be effective, institutions need to be suitable for and complement existing conditions in a country. At the same time, countries should be "open" to allow the flow of goods, services, capital, labour and information from abroad – all of which lead to better quality institutions.

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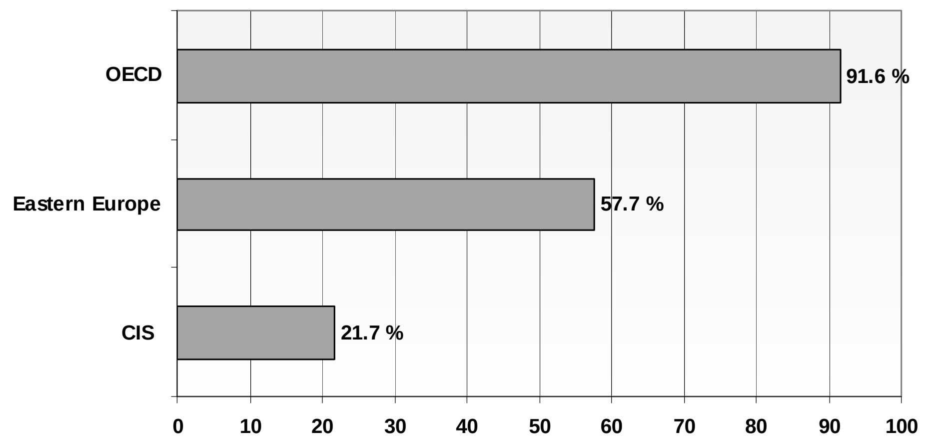
[5] With respect to the relationship between macroeconomic and structural policies and poverty outcomes, similar difficulties apply. Macroeconomic policies affect a wide range of diverse socio-economic groups in different ways. The effects of such policies change over time and it is difficult to establish their impact on poor people in definitive terms. C. Robb, *Poverty and Social Impact Analysis – Linking Macroeconomic Policies to Poverty Outcomes: Summary of Early Experiences*, IMF Working Paper, WP/03/43, February 2003.

[6] By one definition, institutions are rules (laws and informal customs) that govern behaviour, the mechanisms (such as organizations or reputations) that enforce these rules and organizations that support market transactions (e.g. banks). R. Islam, "Institutions to Support Markets", *Finance and Development*, Vol. 39, No. 1, March 2002.

[7] In quantitative analysis, there is evidence that the quality of institutions has a significant indirect effect on economic growth through its effect on the volume of investment. J. Aron, "Growth and Institutions: A Review of the Evidence", *The World Bank Research Observ*er, Vol. 15, No. 1, February 2000.

[8] For more see "The poverty-conflict nexus", *UN Millennium Project, Investing in Development: A Practical Guide to Achieve the Millennium Development Goals* (New York), 2005, p. 42.

Figure 2: Government effectiveness (percentile rank 0-100)



Source : See www.worldbank.org/ wbi/ governance/ govdata2002.
Note : Government effectiveness includes the quality of public service, the quality of bureacracy, the competence of civil servants, the independence of the civil service from political pressure and the credibility of the government commitment to policies.

Note: * ”EE” includes Albania, the Baltic States, Bulgaria, Czech Republic, Hungary, Poland, Romania, Slovakia, Turkey and Former Yugoslavia.
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Good public and corporate governance and strong institutions are essential foundations for a sound economy, which can attract investment, and thereby enable States to reduce poverty and inequality, and to increase social integration and opportunities for all. Good governance at all levels contributes to prosperity, stability and security (*The OSCE Strategy Document for the Economic and Environmental Dimension*, para. 2.2.1).

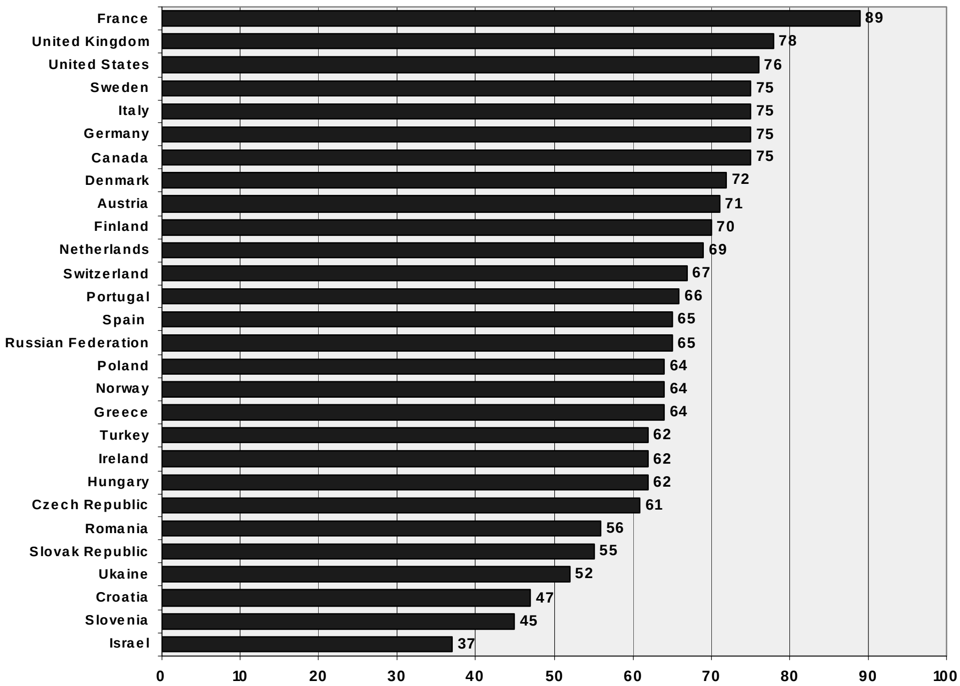
The breakdown in international relations in post-1945 Europe provides a good example of what may happen when the flow of goods, services, capital, labour and information is impeded or prohibited. The UNECE, which was established after the Second World War mainly to assist with the reconstruction, economic development and strengthening of economic relations in Europe, could not fulfill its original mandate due to the emergence of the Iron Curtain. As a result, the organization’s key task became “building bridges” across divided Europe. Clearly, the underlying rationale for closer integration was to reduce the possibility of conventional military confrontation and/or the threat posed by the use of nuclear and other weapons of mass destruction.

The UNECE and integration

The UNECE became involved in vital tasks of integration and regional cooperation somewhat inadvertently, but it has been doing them effectively. By negotiating conventions, norms and standards, the organization has contributed to preventing and reducing pollution, developing transport infrastructure, facilitating border crossings and simplifying trade procedures. By drawing up guides for legal reforms and international transaction practices, it has helped many countries to promote and increase trade and investment. By publishing extensive economic analysis and statistics, it has encouraged the exchange of views and contributed to greater policy convergence.

Because of the specific nature of insecurity on the European continent after 1945, the UNECE's focus on regional cooperation was natural. Clearly, the fewer diplomatic, political, commercial and cultural linkages with regional organizations and neighbouring states, the fewer the opportunities for a country to absorb best practices, exchange ideas or adopt novel economic policies (Figure 3). This may have an impact not only on public governance but also on security.

Figure 3: Membership in international organizations



Source : A. Kearney / Foreign Policy Globalization Index, data available at www.atkearney.com.

International cooperation undoubtedly brings about gains. For example, in the area of international trade, the gains accrue to *both* trading parties. Because trade is mutually beneficial, to fight with trading partners would be equivalent to committing "commercial suicide". Moreover, through active exchange, trade partners develop greater understanding and tolerance for each other's cultures. While interdependence may provide occasions for conflict, it principally produces the incentives for closer cooperation. For example, it has been demonstrated that a greater involvement in international trade can help avert domestic political crisis or violent conflict. Recent research has shown that "countries with levels of trade openness below the global median were two to two and a half times as likely to experience state failures as countries with above-median levels of trade openness."[9] Also, participation in international structures helps to decrease security risks by codifying broad rules and processes by which to resolve international disputes peacefully. In this context, the European Union is a showcase of political and economic integration – adopting regional norms, unifying and becoming more peaceful.

Regional and subregional integration processes and agreements can give an important impulse to trade and economic development in the OSCE region and the OSCE participating States (*The OSCE Strategy Document for the Economic and Environmental Dimension*, para. 2.1.6).

In contrast to the European Union's persistent movement towards closer integration, there are states that deliberately isolate themselves from the rest of the world. These states are typically unable or unwilling to provide basic functions for their citizens. Their economic performance is weak or deteriorating, physical infrastructure is lacking and social services such as health and education unsatisfactory. These states are frequently decaying – either in absolute terms or relative to other countries – and are called, depending on the level of decay, weak, failed or collapsed. With a complete collapse of such a state, other countries can be easily drawn into the conflict through, for example, cross-border refugee flows or movement of rebel forces. The participating OSCE States have generally supported this assessment.

It has become more obvious that threats to our security can stem from conflicts within States as well as from conflicts between States. It has become clear that all such conflicts can represent a threat to the security of all OSCE participating States (*Charter for European Security, Istanbul OSCE Summit 1999*, para. 2). Inter-State and intra-State conflicts impede regional economic cooperation and development and undermine the security, *inter alia*, of communications and energy transport routes (*The OSCE Strategy Document for the Economic and Environmental Dimension*, para. 1.7).

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9 "State Failure Task Force Report: Phase III Findings", 30 September 2000, available at Integrated Network for Societal Conflict Research, www.cidcm/umd/edu/inscr.

In the post-cold war world, wars *within* states have vastly outnumbered wars between states.[10] Political and economic legacies of the cold war, illegitimate governmental institutions, problematic regional relationships, social and ethnic differences are some of the factors that help create conditions for this type of warfare.

One typical feature of conflict-prone areas is a downward spiral of conflict and economic decline accompanied by corruption and public mismanagement. Economic decline facilitates the process of national disintegration. Violent conflicts, in turn, constrain development efforts. Not only is this vicious circle difficult to break, but history suggests that the possibility of violent intra-state conflict – in such situations – is unlikely to decrease on its own. The main reason for this is that a decline or an extremely low level of individual living standards and the erosion of good governance or its non-existence cannot be quickly reversed or established. From the security perspective, however, a long-lasting reversal of this undesirable situation is what is required.

In such situations, international organizations can play a key role by emphasizing peacebuilding.[11] Their long-term strategy would focus on addressing the underlying root causes of insecurity, which entails the active nurturing of conditions that preclude violence. Effective peacebuilding should encourage equitable economic development, facilitate good governance and enhance human rights. Undoubtedly, initiatives that enhance economic development and those policies that encourage the rule of law, protect fundamental human rights and foster the growth of democratic institutions are *also* security policies.

Increased international economic interdependence or assistance, however, cannot alone ensure peace and security and, at times, it may increase insecurity. In the United States, for example, terrorists used its very openness to plan and carry out their attacks in 2001. The response to terrorism has required stricter airport security measures and new customs and visa checks prompting some to declare that the era of globalization is over. By some estimates, in many areas of the world, the costs of terrorism exceed the costs of organized or common crime (Figure 4).

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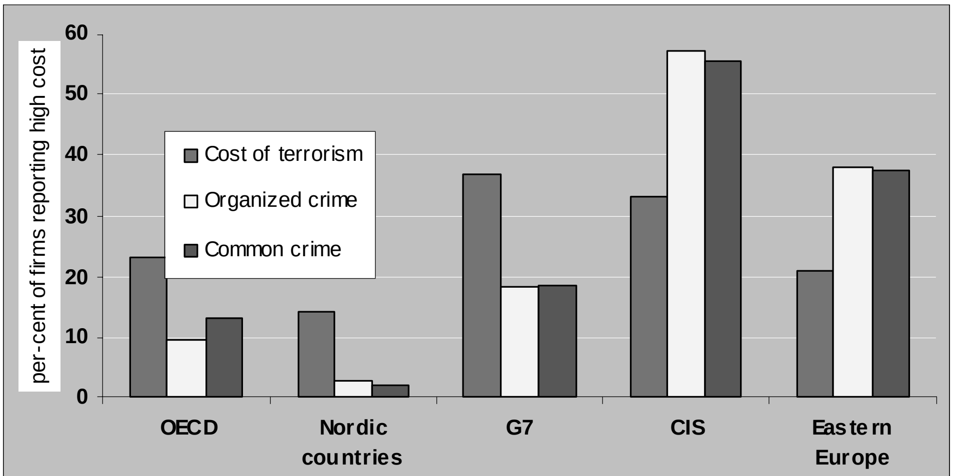
[10] Violent conflicts are also more frequent, longer lasting and often take the form of intermittent warfare. These intra-state wars are fought with conventional weapons and with strategies of ethnic annihilation and population expulsions. Contemporary conflicts affect mostly civilians who make up about 90 per cent of the victims, including displaced persons.

[11] Report of the Secretary-General's High-level Panel on Threats, Challenges and Change, *A More Secure World: Our Shared Responsibility*, recommends the creation of a Peacebuilding Commission to fill a gap by bringing the necessary attention to countries emerging from conflict.

Figure 4: Firms reporting high cost of terrorism and crime



Source: D. Kaufmann, *World Bank Institute, Corruption, Governance and Security: Challenges for the Rich Countries and the World.*

Based on the 2004 Executive Opinion Survey questions : i) "The threat of terrorism in your country, incidence of common crime and violence (e.g. street muggings, firms being looted) organized crime (mafia-oriented racketeering, extortion) in your country impose / do not impose significant costs on business ? " ii) "In your country the diversion of public funds to companies, individuals or groups due to corruption is common / never occurs." A firm is considered as reporting high cost when rated the question as unsatisfactory (1, 2, or 3) on scale of 1 to 7.

Note: * "EE" includes Albania, the Baltic States, Bulgaria, Czech Republic, Hungary, Poland, Romania, Slovakia, Turkey and Former Yugoslavia.

* "OECD" excludes OECD members identified in the "EE".

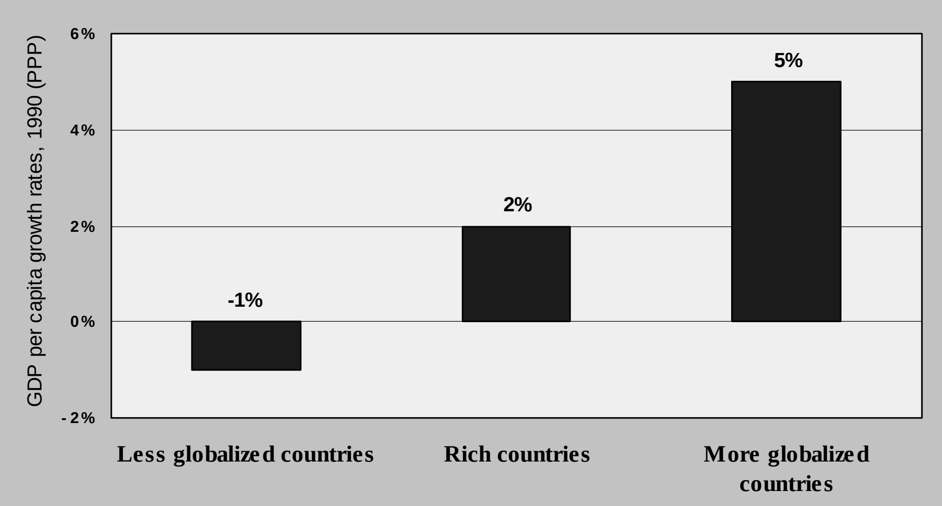
Economists and business leaders are fond of globalization because it encourages the market mechanism and this, in turn, promotes efficiency. One relatively recent and controversial outcome of seeking cost savings is outsourcing or fragmentation of service production made possible by technological advances and rapidly declining telecommunication costs.[12] Thus, in the long run, globalization through increased competition promises to make countries wealthier. And as indicated above, the rich and democratic nations are less likely to go to war.

A recent report by the World Bank found that 24 developing countries that increased their integration into the world economy over the last 20 years achieved higher incomes, longer life expectancy and better schooling (Figure 5).[13] The report also concludes that countries in sub-Saharan Africa, the Middle East and the CIS have not integrated successfully into the global economy. On average, these countries have contracted and poverty has risen.

[12] By some estimates, more than four fifths of the world's top 2,000 companies will have established significant outsourcing operations overseas by the end of 2005. "Offshoring Jobs to Widen in 2005", *The Wall Street Journal Europe*, 22 December 2004.

[13] P. Collier and D. Dollar, *Globalization, Growth and Poverty: Building an Exclusive World Economy*, Oxford University Press and World Bank, December 2001.

Figure 5: Divergent paths



Source : P. Collier and D. Dollar, *Globalization, Growth and Poverty: Building an Exclusive World Economy* , Oxford University Press and World Bank, December 2001.

Although globalization can bring prosperity, some argue that it can also be destabilizing and disruptive. According to the World Commission on the Social Dimension of Globalization, "people see globalization in terms of opportunities for decent work and meeting essential needs for food, water, health, education, shelter and a liveable environment. Without such a social dimension, many will continue to view globalization as a new version of earlier forms of domination and exploitation."

In general, there has been a recent focus on social justice or distributional outcomes of closer ties.[14] In this context, globalization feeds corporate profits at the expense of the workers; it undermines democracy; it contributes to environmental destruction; and it lowers health and labour standards. These critics also believe that globalization contributes to ever widening income disparities across and within countries and promotes cultural homogeneity. Finally, they argue that globalization attracts crime and intensifies corruption (Figure 6).

[14] See, for example, B. Gunter and R. van der Hoeven, "The Social Dimension of Globalization: A Review of the Literature", *International Labour Review*, Vol. 143, No. 1-2, 2004, pp. 7-43.

Figure 6: "Self-defined losers of globalization", types of protesters in the Battle of Seattle, in per cent

Organized labour	66	Human rights	1
Environment	11	Nationalist/ethnic	1
Economic justice	7	Gender	0.4
Students	7	Peace	0.2
Anarchist	4	Urban poor	0.1
Religious	2	Rural peasantry	0.1

Source: M. Marshall and T. Gurr, *Peace and Conflict 2003, A Global Survey of Armed Conflicts, Self-Determination Movements, and Democracy*, Centre for International Development and Conflict Management, University of Maryland, College Park, p. 41.

Overall, the critics appear to maintain that globalization only benefits a few democracies and it penalizes those nations that are yet to reach the necessary level of development. Feeling alienated, those "left out" watch the others reap the benefits of ever-closer international linkages. As a consequence, both legitimate and illegitimate fears resonate in many parts of the world and, from the security perspective, their fears point to potential danger.[15]

Globalization, liberalization and technological change offer new opportunities for trade, growth and development, but have not benefited all the participating States equally, thus contributing, in some cases, to deepening economic disparities between and also within our countries (*The OSCE Strategy Document for the Economic and Environmental Dimension*, para. 1.4).

Closer integration can also be a source of other security risks. Due to rapid technological progress, and improvements in transportation and communication transnational forms of crime have appeared. In addition to already noted terrorism, drug smuggling, trafficking in arms and human beings, money laundering and cyber crime are *truly* global. Owing to their specific nature, they defy traditional notions of sovereignty and render obsolete many of the existing institutions, legal frameworks and law enforcement techniques upon which governments have traditionally relied. In this area, innovative, international solutions are needed. Most of all, it appears that governments need to recognize that the old way of doing things cannot be fully effective against transnational crime.[16]

Migration and movement of people across borders

The cross-border movement of people is a substantial and widespread phenomenon involving more than 10 million people a year over the past decade. Migration is facilitated by declining transportation costs, the ICT revolution and the media's universal reach, which create awareness of differences in living standards.

[15] Gunter and van der Hoeven, op. cit., claim that: "there is a broad consensus that globalization has increased economic, social and political insecurity, even for those who have benefited from globalization" (p. 23). The aspects of insecurity most frequently noted are "job insecurity, lack of social protection, food insecurity and fear of terrorism."

[16] M. Naim, "Five Wars of Globalization", *Foreign Policy*, January-February 2003.

Unlike earlier episodes of globalization that were characterized by *massive* cross-border movements of people, the current process largely excludes this. While goods, firms and money are largely free to criss-cross borders, people are generally not.

A multilateral framework for the cross-border movement of people is a realistic project with evident benefits. Most industrialized countries have ageing populations that are declining, while most developing countries have young and growing populations. It would also help to reduce illegal immigration. To move forward, it is important to build on existing international instruments.

First, international consensus can be reached to revitalize and extend multilateral commitments, such as the basic rights and protection of migrant workers and their families, trafficking, discrimination and exploitation; second, dialogues between home and host countries on key policy issues, including procedures, recommendations and non-binding codes; and third, a preparatory process towards a more general institutional framework for the movement of people across national borders. This means a transparent and uniform system, based on rules rather than discretion, for those who wish to move across borders.

The ultimate objective would be to create a multilateral framework for immigration laws and consular practices, to be negotiated by governments that would govern cross-border movements of people.

Source: Adapted from "A Fair Globalization – Creating Opportunities for All", World Commission on the Social Dimension of Globalization, available at www.ilo.org.

In closing, at the national level, neither economic growth nor integration can happen in the presence of violent conflict. While peace has largely reappeared among the UNECE members – after many violent conflicts in the 1990s – the danger of a reignition remains. Moreover, poverty cannot be reduced nor can globalization be fruitful in the absence of sound fiscal and monetary policies, predictable rule of law, secure private property rights and many other institutional pillars of successful market economies. In many UNECE member countries, improving public governance still requires more attention and effort. As discussed above, through openness and greater integration many countries may improve their institutions and reduce poverty thereby decreasing the likelihood of occurrence of either internal or inter-state violent conflict.

The outcome of globalization depends on the policy choices adopted by our governments and international institutions and on the responses of the private sector and civil society. Good governance, including policies enabling the private sector to grow, efficient markets and a coherent international framework are essential to ensure that the benefits of economic growth and globalization are maximized and fairly distributed (*The OSCE Strategy Document for the Economic and Environmental Dimension*, para. 1.9).

At the global level, it appears that *economic globalization* is not being matched by the necessary *political globalization*. The existing multilateral framework is often thought to be ineffective. The world will likely need more adequate and better-equipped global institutions to deal with transnational challenges to security.

II. International trade

General framework of trade policy

The economies of the UNECE region are deeply interconnected, with each other and within the world economy. They have collectively subscribed to the fundamental commitment to free trade:

The participating States will endeavour to achieve or maintain international and domestic policies aimed at expanding the free flow of trade *(The Bonn Document).*

They have reaffirmed it at a global level, through the Millennium Development Goals, which specifically commit them to: "Develop further an open, rule-based, predictable, non-discriminatory trading and financial system".[17] All UNECE members have undertaken major reforms to integrate their economies into world and regional trade networks. Notably, tariffs on imports have been lowered substantially and a number of other barriers to trade have also been reduced.

In order to effectively integrate in international trade networks, a country's trade policy reform needs to be embedded in a comprehensive strategy to create an enabling environment for entrepreneurs and investors. This implies action in a number of areas including not only a reduction in customs tariffs but also ensuring the enforceability of law, liberalizing capital flows, reforming the banking and financial sector, protecting the private sector's property rights from state interference, and keeping corruption in check. Figure 7 presents the "Economic Freedom Indicator", as one attempt at presenting succinctly the different factors that shape economic life in the countries of the region, setting the stage for international trade activities. In the UNECE region, the country with the highest level of economic freedom is Luxembourg, with Estonia a close follower. At the opposite end of the scale are the countries of the CIS region, which are at earlier stages of the economic transition. As in any classification, the specific ranking of any country may be debatable. It is nevertheless undeniable that higher levels of economic freedom – defined as lower corruption, a lower fiscal burden of government, a secure rule of law, and effective enforcement of property rights among other factors – are associated with higher levels of development and better economic performance.[18]

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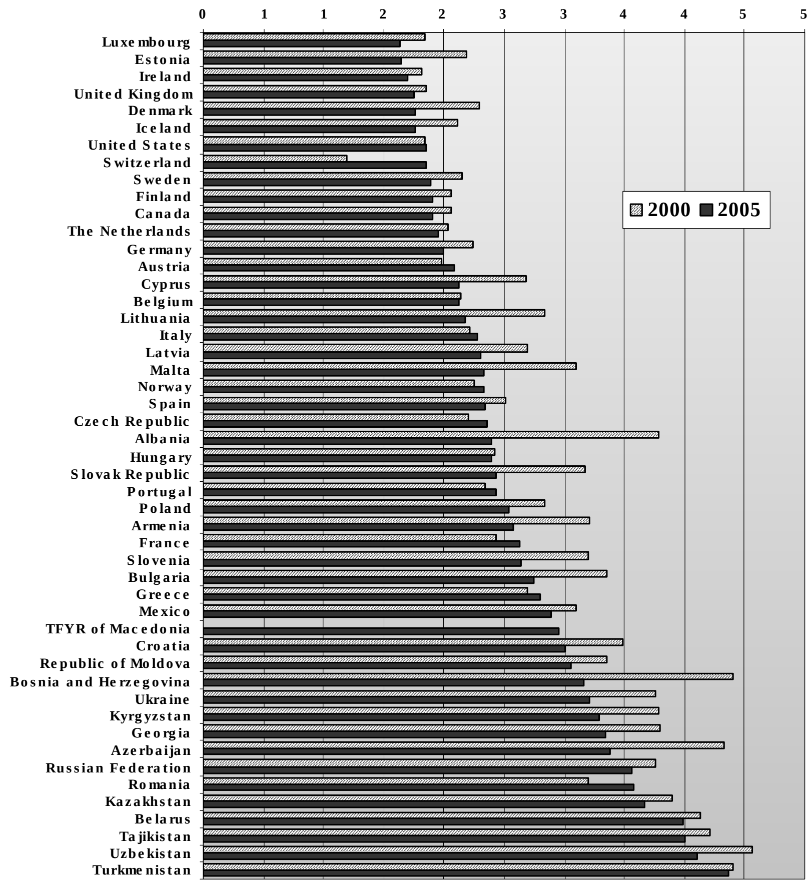
[17] See the Millennium Development Goals at www.developmentgoals.org.

[18] The Index of Economic Freedom is calculated by the Heritage Foundation with the aim of providing policymakers with a "systematic, empirical measurement of economic freedom in countries throughout the world". The index is constructed on the basis of a list of 50 independent variables, divided into 10 broad

UNECE in cooperation with OSCE undertakes a number of activities that make a direct contribution to economic freedom, institution-building and making the rule of law more secure. In particular, the two organizations directly support the countries of the region in:

- creating and nurturing the institutional framework of a market economy, including through a competent, honest, transparent and effective public administration;
- promoting the role of public governance as a prerequisite for economic stability;
- strengthening effective corporate governance to sustain economic restructuring growth and investment.

Figure 7: Economic Freedom Index, 2000 and 2005



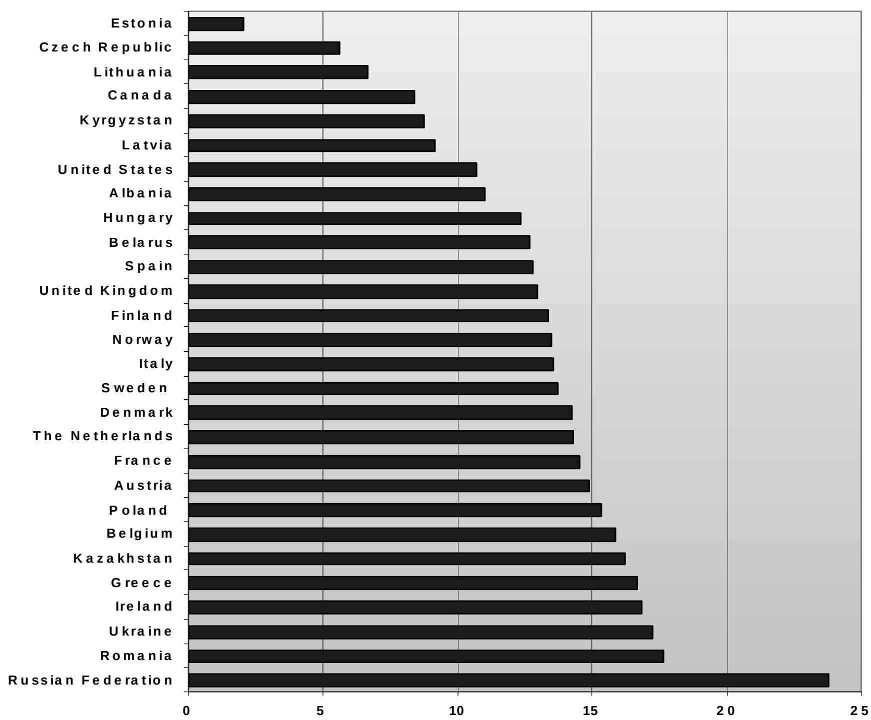
Source : Heritage Foundation, available at www.heritage.org.

factors, namely: trade policy, fiscal burden of government, government intervention in the economy, monetary policy, capital flows and foreign investment, banking and finance, wages and prices, property rights, regulation, and informal market activity. See www.heritage.org for more information.

As one example, a seminar on public and corporate governance was organized during a recent annual session, and a workshop on "Good Governance in Public-Private Partnerships (PPPs)" was also held recently.[19]

Focussing on trade policy, Figure 8 shows the overall import protection that results from the combined effect of tariffs and other barriers to trade such as import quotas, licensing requirements and other measures known collectively as non-tariff barriers (NTBs). Overall trade protection ranges from 2 per cent (Estonia) to 24 per cent (Russian Federation).[20]

Figure 8: Overall trade protection index, in per cent



Source: H. Kee, A. Nicita and M. Olarreaga, "Ad Valorem Equivalents of Non-Tariffs Barriers", The World Bank, December 2004.
Note: Overall trade protection is calculated as the sum of the arithmetic average of customs tariffs and the arithmetic average of the ad valorem equivalent of core non-tariff barriers to trade.

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[19] The key importance of good governance in the specific context of PPPs relates to the fact that it would be difficult for the government to attract resources from the private sector unless there are sufficient guarantees regarding transparency, openness and public accountability. At the same time, PPPs can themselves bring on new risks. See www.unece.org/ie/ppp/newevents1.htm.

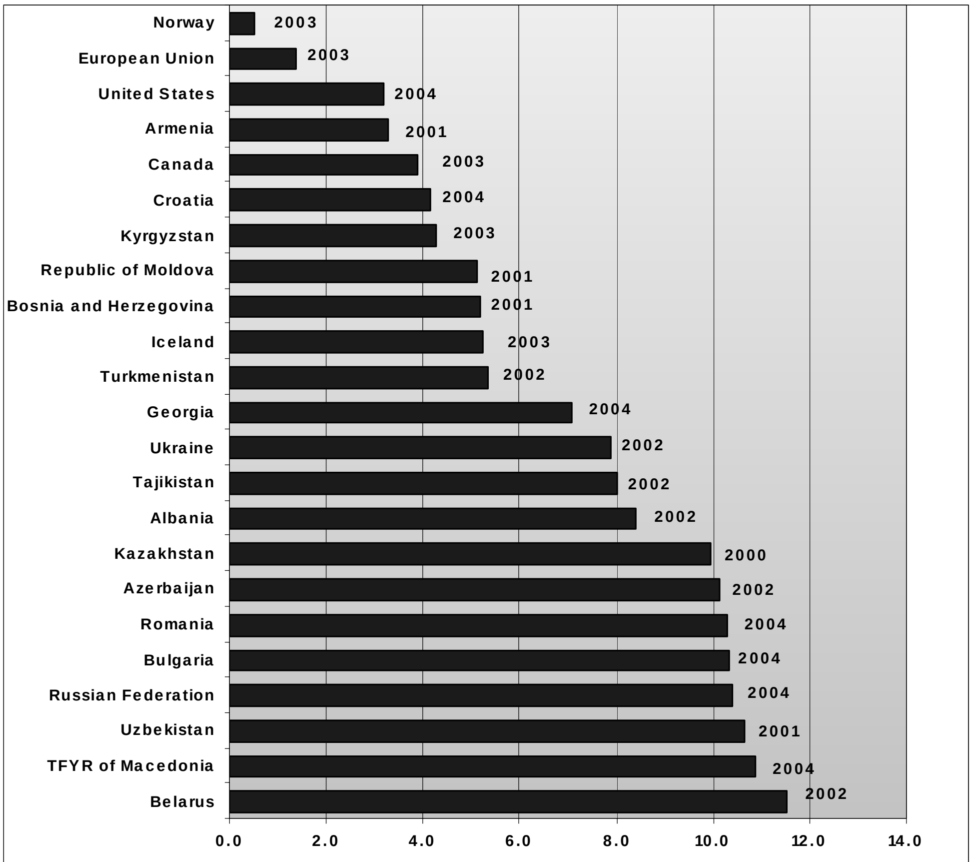
[20] The reason why European Union countries have different values of overall trade protection, although they do have the same tariff and non-tariff barriers, is that the methodology for obtaining *ad valorem* equivalents of NTBs involves using estimates of import demand elasticity, which are calculated by country and by product.

Reducing tariff barriers to trade

We are also convinced of the benefits for the participating States of measures to facilitate market access including reduction of customs tariffs and barriers to entry (*The OSCE Strategy Document for the Economic and Environmental Dimension*, para. 2.1.10).

The simple mean of applied customs tariffs ranges from 0.5 per cent (Norway) to 11.5 per cent (Belarus).[21] As may be expected, the four CIS countries that have acceded to the WTO (Armenia, Kyrgyzstan, the Republic of Moldova and Georgia) have generally lower average tariffs than regional partners.

Figure 9: Custom tariffs, in per cent



Source: TRAINS Database, UNCTAD.
Note: Tariffs are calculated as an arithmetic average; latest year available.

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[21] This may be an underestimate because the calculation excludes specific tariffs. Ad valorem tariffs are calculated as a percentage of the value of goods, whereas specific tariffs are calculated in relation to weight or the number of units. For example, a specific tariff could be €0.5 per kilogram. Many countries utilize specific tariffs in the agricultural sector, and it is often in this sector that the highest tariffs are levied.

The 2004 enlargement of the European Union led to a reduction in the level of tariffs as the EU-10 adjusted their MFN tariffs to the level of the EU-15, which in most cases was lower than their own. It also led them to adopt – as part of the Common Trade Policy – the EU's Generalized System of Preferences (GSP) which benefits many of the economically weakest countries of the region (see Appendix). With respect to the agricultural sector, average tariffs were lowered substantially as a result of the enlargement (for example, the simple average of tariffs on agricultural products was respectively 31 per cent and 34 per cent in Hungary and Poland and was brought down to the current EU level of 16.2 per cent). For some agricultural products, however, average tariffs increased after May 2004 (as was the case for some fish and fish products).[22]

The EU enlargement also resulted in a complex rearrangement of a number of trade agreements with third countries leading to the consolidation of over 60 regional trade and bilateral agreements. In many cases, while the bilateral agreements between the EU-10 and third country partners were terminated, the EU-10 became party to the EU agreement with the very same third countries, mostly on similar terms. Nevertheless, this rearrangement did imply a loss of preferential market access, in some cases, and in particular for Ukrainian exporters to the Baltic States markets.[23]

Tariffs are only one aspect of border protection, and increasingly, as average tariffs reach very low levels especially in developed countries, attention is turning more towards non-tariff barriers to trade. A particularly important aspect of the EU enlargement is that the application of a single set of rules and administrative procedures now applies across the single market, making it easier for exporters from third countries that previously had to comply with different requirements in the different markets.

Non-tariff barriers to trade and trade facilitation

> We are also convinced of the benefits for the participating States of measures to facilitate market access including (…) gradual elimination of existing non-tariff barriers, harmonization of laws in the sphere of customs regulations and foreign trade (*The OSCE Strategy Document for the Economic and Environmental Dimension*, para. 2.1.10).

A recent study estimated that on average NTBs add an additional 70 per cent to the level of trade restrictiveness imposed by tariffs.[24] In close to a quarter of countries reviewed, the contribution of NTBs to the overall level of restrictiveness of trade policy is higher than the contribution of tariffs themselves. While non-tariff barriers to trade are clearly

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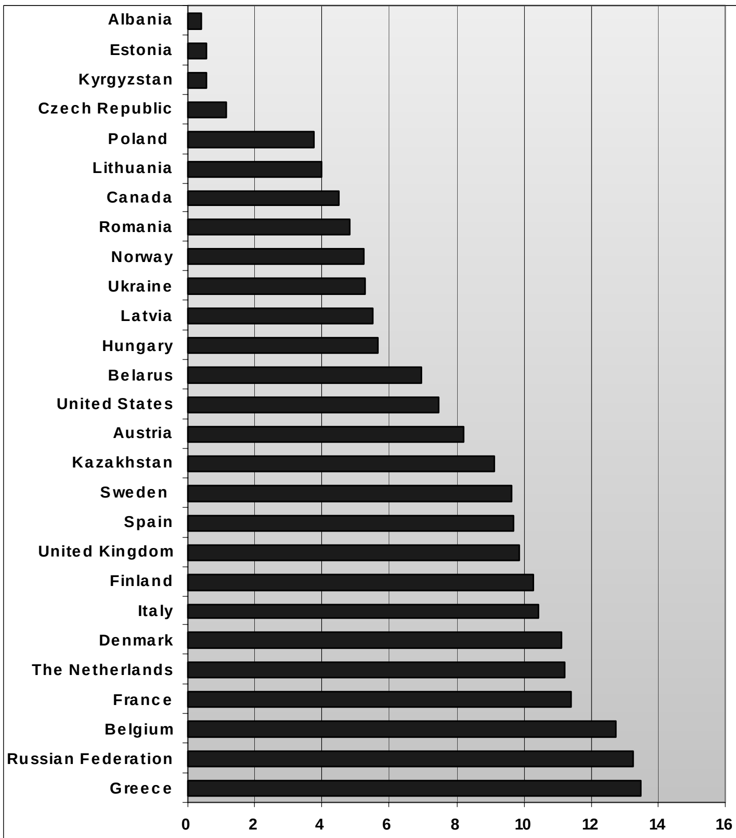
[22] In fact, for the majority of the EU-10 countries (with the exception of Hungary and Poland), tariffs on fish and fish products were on average lower than in the EU. For more details see UNECE, "Facilitating Trade in Agricultural Products with Non-acceding European Countries after the EU Enlargement", TRADE/2004/14, 2 March 2004.

[23] Prior to its EU membership Estonia had an FTA with Turkey. The agreement had to be terminated upon EU accession, but this did not have any consequences because the EU itself has an agreement with Turkey. See Appendix about the agreements that were terminated.

[24] H. Kee, A. Nicita and M. Olarreaga, "Estimating Trade Restrictiveness Indices", World Bank, January 2005. The study reviews 90 countries from all regions of the world.

prevalent in all of the UNECE subregion, the following offers a few examples from South-east Europe and the CIS countries.

Figure 10: Non-Tariffs barriers, in per cent



Source: H. Kee, A. Nicita and M. Olarreaga, "Estimating Trade Restrictiveness Indices", World Bank, January 2005.
Note: Simple average of ad valorem equivalents of core NTBs.

Burdensome customs procedures and customs fees cause delays for transit and delivery, raise the costs of traded goods and have a considerable impact on competitiveness. In many countries, in spite of recent reforms, clearing customs still requires a number of different documents and authorizations, while the lack of a unified procedure, and of a single document explaining all the necessary steps and payments required, compounds the difficulties and increases the potential for the extortion of unofficial payments. The table below presents some examples.

South-east Europe[25]	CIS countries
• Border crossing into Serbia and Montenegro is complicated by the increasingly divergent customs regulations and procedures of the two entities. • The former Yugoslav Republic of Macedonia imposes a €100 payment for each tariff line inserted in the certificate of import for all imports of agricultural goods that benefit from tariff preferences. This fee counteracts the tariff preferences that are granted. • Local authorities in Romania have discretion to impose additional taxes, e.g. for environmental reasons. Such taxes are highly variable and non-transparent.	• In Uzbekistan, 10 different documents, issued by various departments and ministries, are required for customs clearance, prolonging custom procedures for up to two to three months.[26] • In the Republic of Moldova, several government agencies are present at the border, each of them representing a different ministry and collecting their own fees. • In Uzbekistan, as of August 2002, imports of non-food consumer goods are subject to an extra fee of 30 per cent of the customs value in hard currency, if imported by firms, or to an additional customs duty of 90 per cent (which replaces VAT and customs duty) if imported by individuals.[27] • It can take up to 100 hours to cross the border between Turkmenistan and Uzbekistan.[28]

The UNECE has developed a number of instruments to facilitate international trade, especially in the areas of customs clearance and transit. The two most important ones are:

- *The Single Window recommendation*: A single window is a facility that allows parties involved in international trade and transport to lodge standardized information and documents with a single entry point to fulfil all import, export and transit-related regulatory requirements. If information is electronic, then individual data elements should only be submitted once. This can enhance the availability and handling of information, expedite and simplify information flows between traders and government, and promote cooperation and data sharing among the various governmental agencies involved. The recommendation was approved in October 2004 and the UNECE – in collaboration with other organizations – is currently assisting the government of the Republic of Serbia in the initial phases of a project to set up a Single Window. Additionally, the UNECE has

[25] T. Cottier, E. Bürgi, D. Wüger and M. Foltea, "Helping to Tackle Non tariff Barriers in South-eastern Europe", World Trade Institute, 2005 and The European Union's CARDS programme for Western Balkans, "Helping to Tackle Non tariff Barriers in South-eastern Europe", Final Report to the Trade Working Group, 2005.

[26] Asian Development Bank (ADB), "Uzbekistan: Trade and Trade Facilitation Regime", 2003, p. 28, available at www.adb.org/Carec/pubs.asp.

[27] Ibid. and WTO, Committee on Regional Trade Agreements, "Free Trade Agreement between Kyrgyzstan and Uzbekistan: Questions and Replies", WT/REG75/5, 2004.

[28] UNESCAP, "Transit Transport Issues in Landlocked and Transit Developing Countries", ST/ESCAP/2270 (New York), 2003.

organized a number of technical seminars to promote the understanding of the recommendations and of its implications.[29]

- *The United Nations Layout Key for Trade Documents*: Provides an international basis for the standardization of documents used in international trade and transport including the visual representation of such documents. This recommendation provides the basis for the EU Single Administrative Document, as well as for the International Bill of Lading and other such documents. The UNECE encourages all the countries of the region and beyond to align their customs documentation with this model, so as to facilitate customs clearance and transit of goods.[30]

Visa policy and practice may also affect trade in various ways. For example by creating an impediment for business visitors and hindering transport of goods. The following table presents some examples:

South-east Europe[31]	**CIS countries**
• Unlike tourists, truck operators cannot obtain a visa for Bulgaria at the border. • Strict visa requirements for business visitors including transport operators can cause significant delays for exports to Serbia. • In Romania, procedures for issuing visas to professional drivers are slow and expensive, and the validity of visas is too short. • There are difficulties in securing visas for commercial visits to Albania.	• In general, visa policy does not seem to be a barrier to trade among CIS countries. CIS nationals can travel freely in the region. Professional drivers travelling with their cargo outside the region do face a number of constraints.

An initiative to relax the visa regime for professional drivers has been launched by the transport ministers of South-east European countries. The UNECE supports schemes to simplify and speed up the granting of visas to drivers. However, little progress has been made so far and the problem might become more significant again in the future as a result of obligations placed by the EU on the candidate countries.

An additional problem relates to the insufficient customs and transport infrastructure, which is pervasive in both regions as a result of wartime destruction, an inadequate and degraded road system, the lack of competition in road transport and an insufficient rail system. These problems are exacerbated by economic and financial problems.[32] Governments are apparently trying to generate funds through taxes and fees on transport vehicles and this is perceived to be an additional restriction to trade.

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29 Refer to www.unece.org/cefact/ for more details.

30 For more details on this and other UN/CEFACT instruments see "The list of UN/CEFACT recommendations on trade facilitation" at www.unece.org/cefact/recommendations/rec_summary.pdf.

31 T. Cottier et al., op. cit. and European Union Cards Programme for the Western Balkans, op. cit.

32 G. Navaretti, "Azerbaijan: Trade and Trade Facilitation Review", Asian Development Bank, 2003 available at www.adb.org/Documents/Reports/Trade_Facilitation/trade_facilitation _review_AZE.pdf.

South-east Europe[33]	CIS countries
• Insufficient information technology equipment combined with inadequate training of custom staff delays customs clearance and traffic throughout the region, but especially in Albania, Bosnia and Herzegovina and the Republic of Montenegro. • Authorities responsible for veterinary, sanitary and phytosanitary testing and certification are not properly technically equipped: testing causes delays for clearance of goods and raises concerns about reliability throughout the region, and specifically in Bosnia and Herzegovina, Croatia and The former Yugoslav Republic of Macedonia). • A poor road system, lack of motorways and different railways systems across countries make transport difficult and costly throughout the region. • Road tolls charged in the Republic of Serbia to foreigners are reported to be three times as high as the rate for domestic transport undertakings. • In the absence of a state union transport authority, the issue of licenses for transport operators has to be pursued separately with Belgrade and Podgorica, making it difficult for Bosnia and Herzegovina to obtain enough licenses for their transport operators to trade with Serbia and Montenegro.	• While computerized customs management systems – Electronic Data Interchange (EDI) among different customs offices – have been set up by some of the CIS countries (and in particular by Azerbaijan, Belarus, the Russian Federation and Ukraine), EDI between traders and customs and electronic declarations are very rare and are still not foreseen by all national law in most CIS countries.[34] • The condition of road infrastructure, comprising the Transport Corridor Europe-Caucasus-Asia (TRACECA) highway is, at present, generally poor, with the surface displaying considerable cracking in many places (Caucasus Countries). • Fees are applied for the transit of Kyrgyzstan cargo road vehicles and buses along the territory of Uzbekistan.[35] • Georgia levies a "road tax" on all "vehicles registered outside of Georgia (including special vehicles), as well as owners of vehicles registered in Georgia which are loaded or are to be loaded within the territory of Georgia for delivering the cargo of a foreign country to a foreign country".[36]

[33] T. Cottier et al., op. cit.

[34] For some of the countries, concrete assistance could be sought in the context of the Automated System of Custom Data programme (ASYCUDA), which has been developed by UNCTAD and implemented in over 80 countries including Armenia and Georgia.

[35] WTO, Committee on Regional Trade Agreements, "Customs Union between Kyrgyzstan, the Russian Federation, Belarus, Kazakhstan and Tajikistan: Questions and Replies", WT/REG71/8, 2004.

[36] Article 7 of the Law "On Road Fund", No. 802, 22 September 1995. There is evidence that the tax can be quite substantial, amounting to 880 Georgian lari (or about $480) for trucks of over 40 tons. Additionally, transit cargoes are charged clearance fees of 100-300 Georgian lari (roughly $54-$164). WTO, Working Party on the Accession of Georgia, "Additional Questions and Replies", WT/ACC/GEO/7/Add.2, 1998 and E. Polyakov, "Changing Trade Patterns after Conflict Resolution in South Caucasus", The World Bank, 2000, at www.econ.worldbank.org/view.php?id=1713.

The activities of the UNECE relating specifically to transport are reviewed in Section V.

Accession to the World Trade Organization

> We will assist each other to increase the integration of our economies into the international economic and financial system, above all through early accession to the World Trade Organization (*The OSCE Strategy Document for the Economic and Environmental Dimension*, para. 2.1.5).

Since the establishment of WTO in January 1995, nine countries of the UNECE region acceded to the organization, four from the CIS: Kyrgyzstan (December 1998), Georgia (June 2000), the Republic of Moldova (July 2001) and Armenia (February 2003), and five from South-east Europe: Romania (January 1995), Bulgaria (December 1996), Albania (September 2000) Croatia (December 2000), and The former Yugoslav Republic of Macedonia (April 2003).

The WTO accession process begins when the applicant country submits a request for accession, upon which the General Council of the WTO establishes a working party to consider the request. As a first step, the applicant is required to provide a memorandum describing all aspects of its trade and economic policies that may have a bearing on WTO agreements. The memorandum provides the basis for the detailed examination of the applicant's trade regime, which takes place in the working party meeting and is supported by written questions and answers documents. WTO members then engage in bilateral negotiations with the applicant concerning trade concessions and commitments. Once these negotiations are completed, the working party prepares a Protocol of Accession that spells out the precise terms and conditions of entry.

While Turkmenistan has not yet submitted an application for membership, 10 countries from the UNECE region are at different stages in the accession process (Figure 11).

In the CIS region, negotiations with Azerbaijan, Tajikistan and Uzbekistan are at a relatively early stage. In particular, bilateral negotiations on market access have not started yet for Azerbaijan and Uzbekistan. On the other hand, the accession negotiations of the Russian Federation and Ukraine are well advanced, and observers speculate negotiations might be concluded by the time of the WTO Ministerial meeting in Hong Kong in December 2005.

As regards South-east Europe, the most important development was the decision by Serbia and Montenegro to submit separate applications for membership in WTO, when it was confirmed that both Republics possess full autonomy in the conduct of their external commercial relations.

Figure 11: Status of the accession talks

	Working party	Memorandum circulation	Additional questions and replies	Working party meetings		Market access negotiation		Factual summary	Draft working party report
			(Latest)	Dates	Total #	Goods offer	Services offer		
Azerbaijan	July 1997	April 1999	Dec. 2001	June 2002/ Oct. 2004	2	Not yet started		–	–
Belarus	Oct. 1993	Jan. 1996	June 2004	June 1997/ Jan. 2004	5	Mar.1998/ May 2004	May 2004/ Nov 2004	July 2004	–
Kazakhstan	Feb. 1996	Sep. 1996	Feb. 1997	Mar 1997/ Nov. 2004	7	June 1997/ May 2004	Sep.1997/ June 2004	Sep.2004	–
Russian Federation	June 1993	Mar. 1994	June 1995	July 1995 Nov. 2004	22	Feb. 1998/ Feb.2001	Oct 1999/ June 2002	–	March 2002 Oct. 2004
Tajikistan	July 2001	Feb. 2003	Sep. 2003	Mar. 2004	1	Feb.2004	Feb. 2004	–	–
Ukraine	Dec. 1993	Oct. 1994	Feb. 1995/ Apr. 1995	Feb. 1995/ Sep. 2004	13	May1999/ May2002	Feb 1997/ June 2004	June 1998	March 2004 Sept. 2004
Uzbekistan	Dec. 1994	Oct. 1998	Oct 1999/ Jan. 2001	July 2002/ June 2004	2	Not yet started		–	–
Bosnia and Herzegovina	July 1999	Oct. 2002	Nov. 2003	Nov.2003/ Dec. 2004	2	Not yet started		–	–
Republic of Montenegro	Feb. 2005	–	–	–	–	Not yet started		–	–
Republic of Serbia	Feb. 2005	–	–	–	–	Not yet started		–	–

Source: Compiled by UNECE staff on the basis of information from the WTO database.

There is growing awareness among applicants about the complexity and inherent costs of WTO accession. In particular, recent research has shown that the length of the accession process is increasing:

> *"The working parties of the first new members (joiners in 1995-1998)*[37] *completed the process in about two years.*[38] *The working parties of the next batch of new members, which joined in 1999 and 2000,*[39] *took around five years to complete their work.*[40] *However, the working parties of some of the recent new members took significantly longer".*[41]

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37 Ecuador, Mongolia, Bulgaria, Panama and Kyrgyzstan.

38 With the exception of Mongolia's working party which took 4.5 years.

39 Latvia, Estonia, Jordan, Georgia, Albania, Oman and Croatia.

40 With the exception of Georgia's working party which took only 2.5 years.

41 M. Kennett, "Evaluating WTO Accession", prepared for the IDRC-sponsored project "Evaluating and Preparing for WTO accessions", available at www.web.idrc.ca.

At the same time, the process of accession has become more difficult and demanding for a number of reasons. These include:

- the wide nature of the WTO obligations, spanning from trade in agricultural products to services, from policies related to investment to intellectual property rights protection;
- the inherent imbalance of WTO obligations whereby some member countries subsidize their agricultural production and simultaneously demand that acceding countries forego such measures;
- the pressure on acceding countries that have negotiated "structural adjustment programs" (SAPs) with international financial institutions (IFI), to bind trade elements of the SAPs as part of their accession concessions;
- the demands for commitments that go beyond the scope of the WTO agreements themselves.[42]

It appears that as a consequence of the increasing pressure on the acceding countries the percentage of individual tariff lines that are bound upon accession has increased and the level of the tariff bindings has decreased over time.[43] For some of the transition economies, with low GDP per capita, a special challenge is that they do not qualify for special and differential treatment on the same terms as some developing countries.

Notwithstanding these difficulties, the WTO is developing into a universal organization, with most countries which were not original members having either acceded, or are in the accession process or have expressed interest in acceding in the future. The benefits that countries expect go well beyond being granted market access on unconditional most favoured nation terms.

In fact, WTO membership does not necessarily secure better market access, especially when the acceding country is a beneficiary of the General System of Preferences (GSP) schemes of its main trading partners, or if it has signed regional trade agreements with them or if its main partners are countries that are themselves not yet members of the WTO.

The most important benefits that may be expected are systemic in nature and include access to information, help with institution-building during the accession talks and beyond as well as access to a contractually binding dispute settlement mechanism.[44]

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42 Comparisons between the terms of accession of recently acceded countries should be taken with caution, not only because many commitments and concessions are simultaneously involved, but also because of the different level of development of the countries, and the different extent to which they had already liberalized their foreign trade policy regime prior to the accession talks. For a more detailed discussion of the difficulties inherent in the accession process for developing countries see UNCTAD, WTO Accessions and Development Policies, UNCTAD/DITC/TNCD/11 (New York and Geneva), 2001.

43 Ibid. and WTO, "Technical note on the accession process", WT/ACC/10/Rev.1, 28 May 2003.

44 UNECE, *Economic Survey of Europe, 1999 No. 1*, United Nations publication, Sales No. E.99.II.E.2, pp. 159-162.

At the same time, acceding countries are seeking a "seal of approval" which, they hope, will help them attract investment. In this respect, it is important to complement WTO accession with appropriate policy measures and, more generally, to embed the trade agenda into overall national development plans.[45]

The process may start by the identification the country's most competitive sectors and the categorization of the related obstacles to and needs for trade. Based on this analysis, elaborated in consultation with the relevant stakeholders, the trade policy reform leading up to WTO accession would be targeted to increase the country's competitiveness and integration in the world trade and investment networks. A number of international organizations, and especially UNCTAD, have developed technical assistance programs to assist countries during the accession process along these lines.

The UNECE also has many activities focussed on acceding countries. For example, during 2004, the UNECE organized two workshops, in Russia and in Bosnia and Herzegovina to address major challenges in the context of WTO accession. These events promoted a closer cooperation among the various governmental bodies involved in the accession process as well as between the negotiating team and the private sector. Ultimately, the negotiators need the input and cooperation of all these stakeholders in order to be well-informed and equipped with strong negotiating arguments to defend their positions in the trade negotiations.

Regional trade agreements in the UNECE region

Positive outcomes from regional integration crucially depend on its design and implementation: regional trade and bilateral agreements (RTAs) need to be embedded in a consistent and credible reform strategy in order to be successful.[46] The UNECE explicitly recognized it:

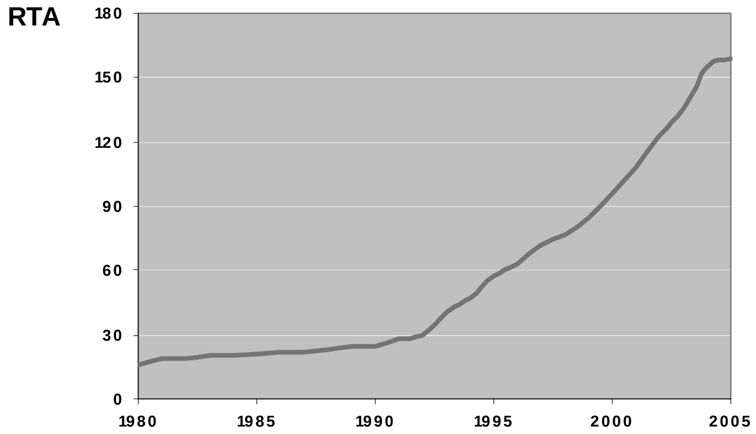
> We will pursue opportunities for regional and subregional economic integration and cooperation, which will be mutually beneficial. We agree to strengthen our cooperation with a view to assisting the participating States to identify and follow up such opportunities (para 2.1.7). In order to ensure that integration processes are harmonized and complementary, we will seek to ensure that they take due account of the economic interests of other participating States and do not contribute to the creation of new divisions. For this purpose, we will encourage direct dialogue among interested participating States. The establishment of common economic spaces could contribute to these processes. Regional and subregional trade arrangements should be compatible with WTO rules and obligations (*The OSCE Strategy Document for the Economic and Environmental Dimension*, para. 2.1.8).

[45] WTO, "Integrated Framework Steering Committee, Implementing the Integrated Framework (IF) in Cambodia", WT/IFSC/W/13, 13 August 2002.

[46] World Bank, *Global Economic Prospects Report* (Washington, D.C.), 2005.

The number of regional trade and bilateral agreements concluded among the countries of the UNECE region increased from 15 to 160 over the last 25 years, making the UNECE the region with the greatest concentration of RTAs (Figure 12). The breakdown of the Soviet Union and Yugoslavia and the demise of the Council of Mutual Assistance in 1991 led to a significant increase in the number of countries involved in bilateral and regional agreements.

Figure 12: Regional trade agreements, UNECE region, 1980-2005



Source: WTO, available at www.wto.org.
Note: Includes only regional and bilateral trade agreements among WTO members notified to the WTO.

Three important trends can be identified at UNECE and global levels:[47]

- more countries – even those that were traditionally reliant on multilateral trade framework – are finding RTAs useful;
- a growing number of RTAs are among cross-regional or cross-continental partners;
- wide-ranging RTAs such as continent-wide free trade agreements are currently under negotiation.

The web of agreements between the EU and its partners

The European Union has developed bilateral relations with the CIS countries (except Tajikistan) through Partnership and Co-operation Agreements (PCAs), and with its partners in South-east Europe through Stabilization and Association Agreements (SAAs).

PCAs commit the parties to apply most-favoured nation (MFN) status to one another with respect to tariffs. CIS countries are also beneficiaries of the EU Generalized System of

[47] WTO Secretariat, "The Changing Landscape of RTAs", Seminar on Regional Trade Agreements and the WTO, 14 November 2003 (Geneva), available at www.wto.org/english/tratop_e/region_e/sem_nov03_e/boonekamp_paper_e.doc.

Preferences, so implicitly they have access to the EU market on a preferential basis.[48] The PCA agreements – which have recently been renewed and extended to the enlarged EU – also contain provisions on the elimination of quantitative restrictions and address other trade-related issues such as competition and state aid. In compliance with these agreements, the EU eliminated its autonomous quantitative restrictions with most of the CIS countries in 1995. In addition, bilateral steel agreements were concluded with Kazakhstan, Russia and Ukraine and entered into force in the late 1990s. Subsequently, the new steel agreements have increased the quantitative limits and introduced provisions for revision in case of WTO accession.

All the PCA agreements were supplemented by special protocols on textile products, a particularly important product for Ukraine. Under a recent agreement, which went into effect in March 2005, the last remaining restrictions to trade in textiles and clothing products (in particular import and export licensing requirements) between the EU and this country were lifted.

In 2000, the EU granted its partners in South-east Europe autonomous trade concessions resulting in 95 per cent of their exports entering the EU free of duties and of any quantitative limits. The EU maintains tariff quotas only on imports of wine, veal and certain fishery products.[49] The EU is also progressively negotiating and implementing SAA with these countries with the aim of progressively establishing a free trade area between the two regions based on asymmetrical reciprocity.

The SAA agreements with The former Yugoslav Republic of Macedonia and with Croatia have already entered into force, while negotiations with Albania are currently underway. It is expected that the other countries of the region will also enter negotiations. The SAA cover a large number of issues, including not only trade liberalization, but also political dialogue and legal approximation.[50]

Trade arrangements among Central and Eastern European countries and South-east European countries

One of the most important initiatives in this region is the Central European Free Trade Area (CEFTA), formed in 1992 by the then Czechoslovakia, Hungary and Poland, later joined by Slovenia (1996), Romania (1997), Bulgaria (1999), and Croatia (2003). Under the terms of this agreement, trade in industrial products was completely liberalized (with few exceptions) and trade in agricultural products was significantly freed up. CEFTA was successfully used by its original members as a step towards EU membership. Five of the CEFTA members left it to join the EU in 2004.

More recently, the countries with economies in transition in South-east Europe have undertaken several initiatives to liberalize and facilitate trade among themselves and with other countries and regional groupings (Figure 13). Under the auspices of the Stability Pact,

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48 For more information on the EU GSP scheme see: UNCTAD, *Handbook on the Scheme of the European Community,* UNCTAD/ITCD/TSB/Misc.23/Rev.2 (New York and Geneva), 2002. See also Appendix for a complete list of the GSP beneficiaries in the UNECE region.

49 The quotas which were applied so far on textile imports from Serbia and Montenegro will lapse in the context of the new textiles agreement signed on 21 December 2004. See www.europa.eu.int/comm/ trade/issues/ bilateral/ regions/ balkans/index_en.htm.

50 See europa.eu.int/comm/external_relations/see/index.htm.

Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Republic of Moldova, Romania, Serbia and Montenegro and The former Yugoslav Republic of Macedonia signed a Memorandum of Understanding on Trade Liberalization and Facilitation in June 2001. As a result, a network of bilateral FTAs has been developed among these countries.[51]

[51] Bulgaria, Croatia and Romania are also members of CEFTA.

Figure 13: Free Trade Agreements in SEE as of 1 December 2004

	Albania	Bosnia and Herzegovina	Bulgaria	Croatia	FYR of Macedonia	Republic of Moldova[1]	Romania	Serbia and Montenegro[2]	UNMIK/ Kosovo[3]
Albania		Applied 01/12/04	Applied 01/09/03	Applied 01/06/03	Applied 15/07/02	Applied 01/11/04	Applied 01/01/04	Applied 01/08/04	Applied 01/10/03
Bosnia and Herzegovina	Applied 01/12/04		Applied 01/12/04	Official application form 01/01/05	Applied 01/07/04	Applied 01/05/04	Applied 01/12/04	Applied 01/06/02	
Bulgaria	Applied 01/09/03	Applied 01/12/04		CEFTA 01/03/03	Applied 01/01/01	Applied 01/01/05	CEFTA	Applied 01/06/04	
Croatia	Applied 01/06/03	Official application form 01/01/05	CEFTA 01/03/03		Applied 11/07/02	Applied 01/01/04	CEFTA 01/03/03	Applied 01/07/04	
FYR of Macedonia	Applied 15/07/02	Applied 01/07/04	Applied 01/01/01	Applied 11/07/02		Applied 01/01/05	Applied 01/01/04	Applied07/10/96 To be reviewed	Negotiations to be launched by end 2004
Republic of Moldova	Applied 01/11/04	Applied 01/05/04	Applied 01/01/05	Applied 01/01/04	Applied 01/01/05		Applied 17/11/94	Applied 01/03/04	
Romania	Applied 01/01/04	Applied 01/12/04	CEFTA	CEFTA 01/03/03	Applied 01/01/04	Applied 17/11/94		Applied 01/07/05	Under preliminary analysis
Serbia and Montenegro	Applied 01/08/04	Applied 01/06/02	Applied 01/06/04	Applied 01/07/04	Applied 07/10/96 To be reviewed	Applied 01/03/04	Applied 01/07/05		
UNMIK/Kosovo	Applied 01/10/03				Negotiations to be launched by end 2004		Under preliminary analysis		

Source: See www.stabilitypact.org/trade/.

1 The Republic of Moldova is associated to the process with an extended timeline.
2 Serbia and Montenegro started the negotiation process when it was known as the Federal Republic of Yugoslavia, therefore both names may appear on the agreement.
3 All agreements are in line with United Nations Security Council Resolution No. 1244.

By the terms of these agreements, at least 90 per cent of mutual trade has to be liberalized, both in terms of tariffs and trade, while regulations need to be gradually harmonized with EU legislation. When fully implemented, these arrangements are expected to create a free trade area encompassing at least seven countries and 55 million inhabitants and hence boost intraregional trade, enhance efficiency and help attract investment.

However, there have been many instances regarding safeguard measures temporarily applied by some of the countries that are parties to the agreements. These measures include the imposition of tariffs as high as 30 per cent on imports from partner countries. The impact of these measures on the overall development of the Stability Pact trade agreements is not favorable.[52]

Trade arrangements among the CIS countries[53]

Efforts towards regional integration among the countries of the former Soviet Union began at the very moment the federation disintegrated. The two agreements that formalized the Soviet Union's dissolution at the same time laid the foundation for the Commonwealth of Independent States (CIS).[54]

In order to settle the urgent substantive issues that confronted them, the newly independent republics concluded a number of bilateral and subregional agreements (more than 200 were signed in the first year alone). In the field of trade, bilateral free trade agreements – with corresponding lists of exceptions – were signed among the most significant trading partners. These early arrangements reveal two interconnected realities: on the one hand the "deep common historical roots and the high rate of integration and interdependence in practically all spheres of life of the former Soviet Republics", and, on the other hand, the reluctance to create powerful, supranational institutions.[55]

In 1994, 11 of the CIS countries signed a free trade agreement that envisaged the abolition of all customs duties, taxes and levies with equivalent effect as well as quantitative restrictions. However, the door was left open to exceptions, which were to be drafted in the form of a general schedule binding all the parties.[56]

In 1999, upon their failure to reach an agreement on the general schedule of exceptions, the 11 countries signed a Protocol on "amendments and supplements" to the 1994 Agreement which stipulated that the exceptions to the free trade regime, being of a temporary nature, could be applied on the basis of bilateral documents.[57] This protocol made the bilateral agreements a lasting and important piece of the architecture of the former Soviet republics' trade regimes.

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52 One recent example was the introduction of tariffs on imports of wheat flour from Croatia and Serbia by the Republic of Bosnia. The Government of Montenegro was apparently considering similar measures. *Radio Free Europe/Radio Liberty*, Vol. 9, No. 47, Part II, 11 March 2005.

53 For more information on these agreements and their impact on trade flows see UNECE, "Building trade partnerships in the CIS region", TRADE/2005/17, 2005.

54 The 8 December 1991 Minsk Declaration – signed by the leaders of Belarus, the Russian Federation and Ukraine – further developed in the Alma Ata Agreement – signed by 11 of the then 12 Members of the Soviet Union (the Baltic States had already withdrawn from the Soviet Union). Georgia joined the CIS free trade area in 1993.

55 S. Voitovich, "The Commonwealth of Independent States – an Emerging Institutional Model", *European Journal of International Law*, 2003, pp. 403-417.

56 WTO, Committee on Regional Trade Agreements, "Free Trade Agreement between Azerbaijan, Armenia, Belarus, Georgia, Republic of Moldova, Kazakhstan, the Russian Federation, Ukraine and Uzbekistan", and "Tajikistan and Kyrgyzstan – Questions and Replies", WT/REG82, 1999.

57 Ibid. p. 18.

At the same time that integration based upon bilateral FTAs was underway, several subregional agreements were signed among groups of countries willing to go further in the liberalization of their trade relationship. The most important of these subregional agreements is the Eurasian Economic Community, which intends to establish a fully-fledged customs union.[58] The number of non-coincident rates of import customs duties among the partners is, however, still high. In three States (Belarus, Kazakhstan and the Russian Federation), it amounted to 5,150 commodity items or 46 per cent of the trade nomenclature.[59] As regards Kyrgyzstan, harmonization "was achieved in 41 commodity groups or 2,058 commodity items, that is 32.8 per cent. The level of coincidence increased by 22.8 per cent compared with 2002".[60] Apparently however, since 2002, the number of non-coincident rates is again increasing.

Other regional trade arrangements have been formed among the CIS countries (Figure 14), but these have not as yet had an impact on the tariffs applied to imports from partner countries.[61]

Figure 14: Plurilateral Agreements in the CIS region

Organization	Date of establishment	Membership
Commonwealth of Independent States (CIS)	1991	Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Republic of Moldova, Russian Federation, Tajikistan, Turkmenistan, Ukraine, Uzbekistan
Eurasian Economic Community	2000	Belarus, Kazakhstan, Kyrgyzstan, Russian Federation, Tajikistan
Central Asian Cooperation Organization (CACO)	2002	Kazakhstan, Kyrgyzstan, Russian Federation, Tajikistan, Uzbekistan
Economic Cooperation Organization (ECO)	1992	Afghanistan, Azerbaijan, Iran (Islamic Republic of), Kazakhstan, Kyrgyzstan, Pakistan, Tajikistan, Turkmenistan, Uzbekistan
GUUAM	1997	Azerbaijan, Georgia, Republic of Moldova, Ukraine, Uzbekistan
Single Economic Space (SES)	2003	Belarus, Kazakhstan, Russian Federation and Ukraine
Shanghai Cooperation Organization	1996	China, Russian Federation, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan

The overall result of these agreements is a web of preferences that are not always consistently applied, making it difficult to present updated and comprehensive information on the actual customs treatment accorded to imports from different regional partners. In fact, not only do a large number of the bilateral FTAs exist only on paper, but information is not readily available about the protocols covering exceptions from the free trade regime for those agreements that are applied, except for

58 The Eurasian Economic Community is a successor agreement to the Customs Union of the CIS – signed in January 1995 by Belarus, Kazakhstan and the Russian Federation, and later joined by Kyrgyzstan (1996) and Tajikistan (1998). The arrangement was transformed into the Eurasian Economic Community and at the same time given the status of the subject of international law in 2000.

59 WTO, Committee on Regional Trade Agreements, "Customs Union between Kyrgyzstan, the Russian Federation, Belarus, Kazakhstan and Tajikistan: Questions and Replies", WT/REG71/8, 2004.

60 Ibid.

61 Some of these agreements and arrangements have led to cooperation in other areas. The paper focuses on those agreements where action has been taken towards the establishment of free trade areas or customs unions. For more details see ecetrade.typepad.com.

those countries that are already WTO members, and – to a more limited extent – for those in the process of accession.

The magnitude of the exceptions to free trade in the bilateral FTAs that are operational is generally limited, although it does vary among the country pairs. In addition, there are a number of FTAs that provide for free trade without exceptions.

Currently, there are no tariffs imposed on the trade flows among the partners of the Eurasian Economic Community which conform to its rules of origin and documentary requirements.[62] In addition, the following bilateral arrangements are effective:[63]

- Armenia's imports from Georgia, the Russian Federation, Ukraine, Kyrgyzstan and Turkmenistan are free from duties and quotas;[64]
- Belarus and the Russian Federation have set up a Customs Union and consequently have eliminated customs checkpoints on their common border (1996);[65]
- Azerbaijan does not apply customs duties on goods originating in Georgia, Kazakhstan and Ukraine;[66]
- Georgia grants free market access without any exceptions to goods originating in Armenia, Azerbaijan, Kazakhstan, Turkmenistan and Ukraine.[67] Exceptions to free trade with the Russian Federation are very limited;[68]
- The Russian Federation's trade regime with Armenia[69] and Georgia[70] is one of free trade with very limited exceptions;
- Kazakhstan and the Republic of Moldova have an FTA with the exception of a few products;[71]

[62] WTO, "Draft report of the working party on the accession of the Russian Federation to the World Trade Organization", WT/ACC/RUS/21/Rev., 1997, and WTO, Working Party on the Accession of Kazakhstan, "Questions and Replies to the Memorandum on the Foreign Trade Regime", WT/ACC/KAZ/10, 1997.

[63] It is possible that many more of the agreements that were signed are actually implemented, but the information above is what could be confirmed through an analysis of WTO documentation.

[64] WTO, Working Party on the Accession of Armenia, "Report of the Working Party on the Accession of the Republic of Armenia", WT/ACC/ARM/23, 2002.

[65] Subsequently, they signed a "Treaty on the Formation of a Union State" (December 1999), and are taking steps towards establishing a joint monetary system.

[66] Azerbaijan maintains limited exceptions as regards the FTA with Kazakhstan, such as alcohol and tobacco. The share of the goods excluded from the free trade regime made up 0.14 per cent of the commodity turnover between Azerbaijan and Kazakhstan in 1999. WTO, Working Party on the Accession of Azerbaijan, "Questions and Replies" WT/ACC/AZE/4, 2000 and WTO, Working Party on the Accession of Azerbaijan, "Additional Questions and Replies", WT/ACC/AZE/5, 2001.

[67] WTO, Committee on Regional Trade Agreements, "Free Trade Agreements between Georgia and the Russian Federation, Armenia, Azerbaijan, Ukraine, Turkmenistan and Kazakhstan," WT/REG/GEN/M/8, 2002.

[68] Exceptions amounted to less than 1 per cent of imports from the Russian Federation in 2001. WTO, Committee on Regional Trade Agreements, "Free Trade Agreement between Georgia and the Russian Federation – Questions and Replies", WT/REG118/4, 2003.

[69] WTO, Working Party on the Accession of Armenia, "Additional Questions and Replies to the Memorandum on the Foreign Trade Regime", WT/ACC/ARM/5, 1996.

[70] Exceptions amount to 5 per cent of Georgia's exports to the Russian Federation, and concern sugar and ethyl alcohol. WTO, Committee on Regional Trade Agreements, "Free Trade Agreement between Georgia and the Russian Federation – Questions and Replies", WT/REG118/4, 2003.

[71] The exceptions on the part of Kazakhstan are grains and oil products, sheep and lambs. For the Republic of Moldova the exceptions are alcohol and vitamins. WTO, Working Party on the Accession of Kazakhstan, "Questions and Replies to the Memorandum on the Foreign Trade Regime", WT/ACC/KAZ/10, 1997.

- Kyrgyzstan “does not maintain exceptions to any of the bilateral FTAs”[72] that it has signed with Armenia, Kazakhstan Ukraine and Uzbekistan.

Since the majority of CIS countries are not members of the WTO, there has been a certain debate on the feasibility of coordination for the accession. It appears however that coordination would complicate and delay the process of accession, in view of the different trade interests of the countries involved.[73]

It has been suggested that the lack of coordination penalized Kyrgyzstan – which acceded to the WTO ahead of its neighbours – because tariffs were raised against Kyrgyzstan in a form of “retaliation” by its traditional trade partners. The emergence of trade barriers, however, was partly related to regional attempts to protect domestic markets in the wake of the financial crisis in Russia. Recently there has been a noticeable improvement in the trade relations between Kyrgyzstan and its CIS partners.

This notwithstanding, countries seeking to benefit from their participation in the WTO and in RTAs should carefully coordinate their trade policy obligations. This requires that commitments taken at different levels are mutually supportive, coherent and non-contradictory. For example, the common external tariffs of a customs union need to be compatible with the level of tariffs bound in WTO by each member of the customs union.

It is also important to properly inform the business community of the engagements undertaken at the different negotiating tables. Indeed, commercial operators must be able to make use of these agreements if they are to become effective trade promotion instruments. This requires more dynamic interaction between the private and the public sectors in many of the emerging market economies in the UNECE region. Finally, the proliferation of trading agreements has often meant that scarce human resources in the public service were spread even more thinly, stepping up the requirements for capacity building.

The UNECE assists extensively in the work of subregional initiatives. For example, in the area of trade facilitation, the Special Programme for the Economies of Central Asia (SPECA), established by the UNECE in collaboration with other institutions, helps participating countries in the implementation of UNECE recommendations, standards and best practices.

In the context of international cooperation, an “International Conference on Strengthening Subregional Economic Cooperation in Central Asia” is being organized by the Government of Kazakhstan in cooperation with UNECE and UNESCAP and will take place in Astana in May 2005. It will provide a forum for representatives of member States, international organisations and bilateral donors to engage in action-

[72] WTO, Committee on Regional Trade Agreements, “Free Trade Agreements between Kyrgyzstan and the Russian Federation, Ukraine, Uzbekistan, Republic of Moldova and Kazakhstan – Questions and Replies, WT/REG73/4, 2001.

[73] “Any coordination with CIS countries in Ukraine's accession to the WTO could only complicate and delay it for years. When both Russia and Ukraine have become members of the WTO, they should be able to resolve their many bilateral trade disputes more effectively”. A. Åslund, “A Foreign Trade Policy Strategy for Ukraine”, Carnegie, Ukraine UNDP Trip Report, 31 March 2003.

oriented discussion of ways of further strengthening cooperation in Central Asia. The discussions are expected to demonstrate that stronger subregional cooperation would bring advantages to all SPECA member States, while at the same time improving the prospects of their integration into the world economy and contributing to the strengthening of stability and security in the region.

Harmonization and mutual recognition of technical standards

We are also convinced of the benefits for the participating States of measures to facilitate market access including harmonization or equivalence of standards (*The OSCE Strategy Document for the Economic and Environmental Dimension*, para. 2.1.10).

The development and implementation of a system of standards, quality insurance, accreditation and metrology is crucial to sustain competitiveness and growth. Standards facilitate transactions and trade both within and between countries and have increasingly become a necessary condition for exporting to regional and international markets.

When producers must alter their products to meet divergent standards in foreign markets, benefits from economies of scale are lost. Similarly, when a foreign government does not recognize standards used and compliance tests performed in the exporter's home market, or when the exporter's home country does not have facilities to test the product, the exporter bears additional costs for testing in the foreign market.

To tackle the challenge of different standard requirements, as early as 1992, the CIS countries have signed an "Agreement on the Uniform Policy on Standardization, Metrology and Certification", which is implemented by all CIS countries, and actually predates the CIS Free Trade Area Agreement of 1994.

In 2000, the CIS countries (excluding Turkmenistan) signed another "Agreement on Technical Barriers within the Free-Trade Area", which to date has been ratified by eight countries (except Belarus, Georgia and Uzbekistan). This second agreement is explicitly based on the principles of the WTO agreements and specifically of the Technical Barriers to Trade (TBT) Agreement. The Parties "will use international standards (..) as a basis for developing their technical regulations".[74] This commitment is especially important, since it is estimated that currently only about "20 per cent of positions in the standards nomenclature are harmonized with international standards, while the rest are still based on the Soviet standards".[75]

The Agreement also created the "Euro-Asian Interstate Council for Standardization, Metrology and Certification" (EASC). EASC is an intergovernmental body recognized by ISO and it carries out its mandate through more than 230 interstate technical committees for standardization dealing with all aspects of standardization, technical regulations, metrology, accreditation and conformity acceptance.

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[74] WTO, Working Party on the Accession of Azerbaijan, "Questions and Replies", T/ACC/AZE/4, 2000.

[75] L. Freinkman, E. Polyakov and C. Revenco, *Trade Performance and Regional Integration of the CIS Countries*, World Bank Working Paper, No. 38 (Washington, D.C.), 2004, p. 6.

This Agreement is undeniably one of the most important achievements of the CIS. In practice all countries routinely accept certificates of conformity and quality issued by any of the partners' accredited institutions. Nevertheless, at times, implementation problems occur, as the Customs Authorities have a margin of discretion in accepting the certificates, and apparently this has in some cases been abused. The CIS countries have – therefore – recently agreed on lists of products that are subjected to mandatory acknowledgement of the certificates of conformity within the CIS.[76]

Unfortunately, the system of reciprocal recognition applies only to interstate standards. Action on the mutual recognition of national standards would bring further benefits, but is complicated by the lack of information on the partners' standardizing activities.

Further cooperation is also needed in order to better distinguish – in the system of national standards of the CIS – between mandatory standards or, more appropriately, technical regulations, and voluntary standards. The latter should be defined not by governments but by industry associations. In this light, collaboration between the EASC and the UNECE Working Party on Regulatory Cooperation – which has provided for more than 30 years an interface between the regulatory and the standardization community – is especially useful. As a concrete example, the UNECE recently developed the "International Model for Technical Harmonization". The International Model was recently used by the CIS countries to prepare an agreement which calls for elaboration of common technical regulations and thus pave the way towards the development of a uniform regulatory framework for certain products. This draft agreement is currently under consideration by CIS member States.

The South-east European countries have achieved varying levels of integration with the "*acquis communautaire*" of the EU. While transposition of the *acquis* into national law is close to completion in Bulgaria and Romania, other countries of the region are relying on different – and in some cases outdated – technical regulations and sanitary and phytosanitary standards. This results in widely diverging product regulations and standards. There are only a few mutual recognition agreements among the countries, and therefore the certificates accompanying the goods are generally not recognized.

With the elimination of tariffs through FTAs these differences have the potential of becoming major impediment to trade among the countries of the region, and may result in significant added costs and delays. For example, in Serbia, high charges are levied for sanitary inspections (€100 per item for each product delivered plus the cost of the sample) and market inspection (€50 per item plus the cost of the sample). Import licensing for animal products is perceived to be burdensome, while "health examination" for some products can take up to 20 days.[77]

Clearly, problems arise also for exports to countries outside the region, and are not always related to government action. For instance, the certification of exports of organic nut products exported from the Republic of Moldova to Germany needs to be renewed every six months. Each visit from an international certifying company

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[76] See www.easc.org.by/english/sert_e.htm.

[77] T. Cottier at al., op. cit.

implies a heavy cost for Moldovan enterprises. This indicates how important it is to develop collaboration at all levels, including relevant stakeholders from the private sector as well as from the competent governmental authorities.

The UNECE has a project for South-east European countries, which provides for the promotion of good regulatory practices and the elimination of technical obstacles to trade. As a part of this project a number of regional meetings and consultations were organized. These consultations resulted in the identification of national regulatory priorities that can form the basis for further regulatory dialogue and model projects on regulatory convergence.

III. Capital flows

Financial integration has been a prominent trend in the world economy. Although rising cross-border capital flows have led to closer international linkages between national economies and global markets, a relatively wide wedge between the more integrated capital market and the fragmented legislative and regulatory competencies across national boundaries has emerged.

> The participating States believe that increased integration of all participating countries into the international economic and financial system, in accordance with the internationally recognized rules and involving the acceptance of disciplines as well as benefits, will also facilitate economic cooperation (*The Bonn Document*).

Globally, the growth of international financial flows has reflected gradual liberalization of capital accounts, opening up in the former centrally planned economies and continued development of markets for financial assets. Formal integration initiatives in Europe, including the creation of the European Monetary Union and the enlargement of the EU, have driven institutional change while simultaneously boosting capital flows. The internationalization of production processes and the growing importance of institutional investors in financial markets have also had an impact. The overall extent of financial integration can be gauged by the ratio of foreign assets and liabilities to GDP (Figure 15).[78]

Emerging markets in the UNECE region tend to have lower ratios and a more unbalanced position as liabilities largely exceed assets. Russia is an exception with a roughly balanced position. Large liabilities represent mostly the stock of FDI. The relatively high ranking of countries such as Estonia and Azerbaijan can be explained by past strong FDI inflows and the relatively small size of their economies.

Risks and benefits

In general, financial integration provides a framework for risk sharing and thus greater economic stability can be expected. However, stronger financial linkages can also introduce volatility by transmitting shocks across borders. As a consequence of a number of financial crises in the 1990s, which dramatically showed how quickly reversals can take place, a more cautious view of the role of capital flows has emerged.

> As the *OSCE Strategy Document for the Economic and Environmental Dimension*, para. 1.4, stresses, the growing openness of national economies implies a greater exposure to external economic shocks and financial turbulence.

Financial integration has the potential to generate numerous benefits such as greater saving rates and lower costs of capital. It also brings about a channel that facilitates the transfer of technological and managerial expertise. From the institution-building perspective, financial integration may assist countries to develop further their financial systems whereas international capital flows usually provide a strong "disciplining" effect. In doing so, however, international financial linkages constrain national authorities in their ability to influence macroeconomic developments.

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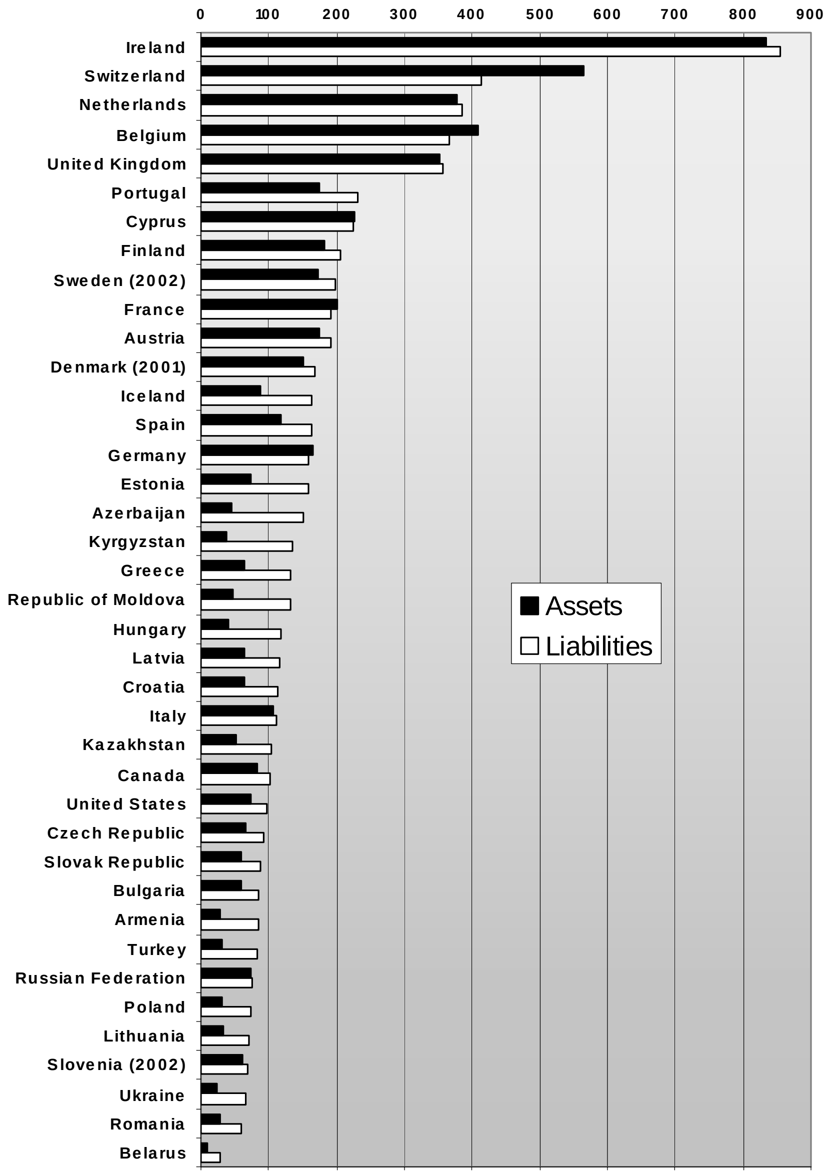
[78] This is a *de facto* indicator, as opposed to *de jure* indices, which focus on the degree of liberalization of capital flows according to domestic rules.

Figure 15: Ratio of foreign assets and liabilities to GDP, 2003



Source: IMF, *International Financial Statistics 2005* and *UNCTAD Handbook of Statistics 2004*.

International trade and investment are vital factors for accelerating economic growth and promoting economic development. The establishment in the OSCE region of open and integrated markets functioning on the basis of compatible or harmonized rules and further liberalization could bring significant economic benefits to all the OSCE participating States (The *OSCE Strategy Document for the Economic and Environmental Dimension*, para. 2.1.9).

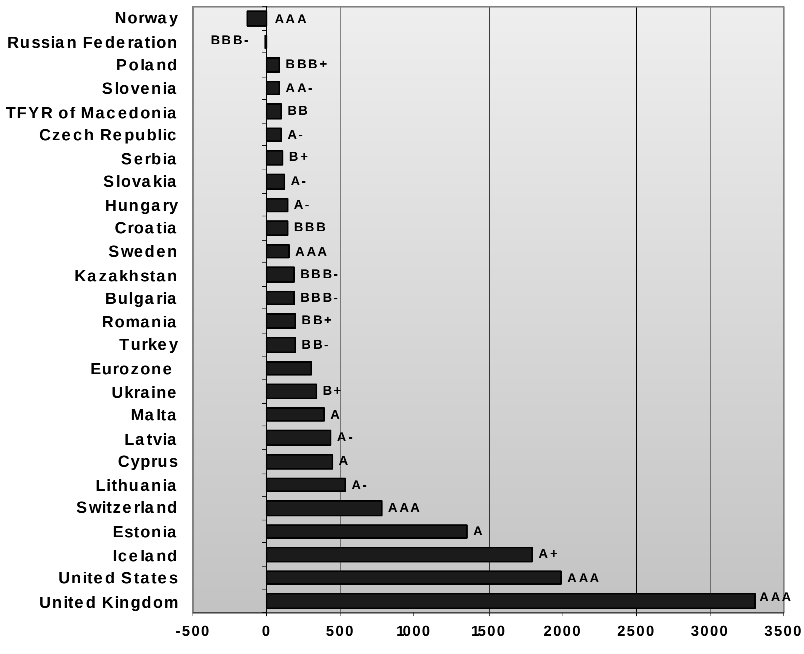
The above-noted advantages are not likely to accrue automatically. The positive effects of financial integration emerge or are compounded only when favourable domestic conditions accompany them. Investment climate factors such as macroeconomic stability, a well functioning financial system, strong institutions featuring effective public and private governance are indispensable for positive outcomes.

The *OSCE Strategy Document for the Economic and Environmental Dimension*, para. 2.2.1, notes that good governance and corporate governance and strong institutions are essential foundations for a sound economy.

Besides economic benefits, capital flows also present a number of policy challenges. For example, strong inflows can make inflation control more difficult (particularly in the presence of “less than flexible” exchange rate arrangements). Large capital inflows may lead to credit booms, a deterioration of the risk profile of banks and eventual systemic problems in the case of a reversal. In addition, capital account liberalization may not allow the introduction of restrictions on foreign borrowing, thus eliminating a possible line of defence against the above-noted risks. Finally, financial contagion effects can emerge. Although, in theory, contagion can create difficulties for countries without significant fundamental economic problems, in practice it usually reflects the underlying vulnerabilities.

As a result, reliance on external financing creates risks associated with disruptions in capital flows and sharp increases in the cost of financing. An indicator of the external financing requirements of an economy can be constructed (i.e. gross financing gap as a per cent of reserves).[79]

Figure 16: Gross financing gap as a per cent of reserves, 2000-2004 average



Source: Standard&Poor’s, Sovereign Risk Indicators, 2004, www.sandp.com.
Note: "AAA" and "B+" denote long-term foreign currency rating.

A high ratio in itself it is not a problem. Countries with high credit ratings can maintain lower reserve levels because the likelihood of being shut off the market is

[79] Ratio of the current account deficit plus scheduled principal repayments on external debt plus the stock of short-term debt (maturity less than a year) to the stock of official reserves. A negative ratio indicates net repayment of debt.

low. Signs of potential vulnerability appear when a high ratio is accompanied by a poor credit rating. Moreover, the origins of the deficit and the composition of the financing flows are critical when considering the possibility of disruptive “sudden stops” or the sensitivity of the financial position to changes in interest rates.[80]

Financial integration and threats to security

Financial fragility may eventually lead to a crisis. For example, reliance on external financing can have severe disruptive consequences in the event of a “sudden stop”. Sharp currency devaluations and the accompanying inflation could wipe out the savings of the most vulnerable sections of the population, which are typically not in a position to hedge these risks. Faced with higher interest payments on both domestic and external debt and constrained financing possibilities, the authorities may be forced to reduce budget expenditures. These unfavourable economic developments are likely to exacerbate (pre-existing) social tensions, while reducing the domestic resources necessary to diffuse them.

As the transmission of shocks has a regional dimension, existing tensions between neighbours could be worsened by the sharp deterioration of economic circumstances brought about by a financial crisis. Competition for resources can be exacerbated, stoking further the flames of potential conflict. Domestic turmoil could spill over into international hostilities.

The materialization of the potential security risks associated with a financial crisis very much depends on the existing situation. When the degree of social cohesion is weak and there is a history of civic unrest and cross-border conflict, financial troubles are more likely to become the trigger of increased security tensions. The compounding effect of the various types of fragility (financial, economic, security) should be factored into the analysis when designing preventive or corrective actions.

Avoidance of pitfalls arising sometimes from financial opening is closely associated with the development of a strong financial system. In short, financial liberalization, to be beneficial, should be accompanied by domestic efforts to reduce macroeconomic tensions and stepped up banking regulation. The experience of the European Union shows that its members derived benefits from capital account liberalization and from increased competition in the banking sector. The liberalization there was accompanied by a strengthening of prudential, supervisory and accounting standards and resulted in higher levels and greater efficiency of financial intermediation.[81]

Despite the risks posed, financial integration may spur local financial development. This could entail the necessary improvements in national regulations in areas encompassing not only bank supervision but also related fields such as accounting standards or corporate governance. As noted above, there is evidence that processes of formal financial integration, such as those taking place in the European Union,

[80] The structure of the external debt determines the speed at which interest rate movements are felt. Shorter maturities and debt contracted at floating rates imply a potentially larger impact while access to non-debt financing reduces the importance of these influences.

[81] D. Romero de Avila, *Finance and Growth: New Evidence from the Liberalisation and Harmonisation of the Banking Industry,* ECB Working Paper, No. 266, 2003.

imply a certain degree of regulatory convergence, with direct positive implications for local financial development.[82]

The OSCE participating States consider that the progressive convergence of economic policies among the participating States opens new long-term perspectives for the strengthening of their economic relations (*The Bonn Document)*.

The focus on financial integration should not obscure the need to pay attention to the development of *local* financial markets (where non-residents can also participate). First, the emergence of domestic bond markets increases financing flexibility while the ability to raise funds domestically provides an insurance against sudden reversal of capitals inflows. Although the participation of non-residents in these markets introduces potential volatility, it shields borrowers from exchange rate risks. Second, information costs on cross-border lending discourage foreign lenders as they typically have more difficulties in assessing the credit quality. The participation of local banks in internationally syndicated loans, which bring superior knowledge, is shown to have a positive effect on access to finance.[83] This suggests that local financial development should be pursued as external financing can only be an imperfect substitute. Even in the absence of any restrictions to international capital flows, developed local financial markets are not redundant and can have a positive impact on business creation and growth.[84]

Finally, the contrast between the globalization of capital markets and the fragmentation of legislative and regulatory competencies across national boundaries should be noted. While a number of multilateral initiatives have been developed to promote best practices and monitor their implementation, more progress is needed to support further advances in financial integration without undermining systemic stability.[85]

The above suggestion is in line with the OSCE commitment to a strong international framework for the prevention and resolution of financial crisis, underpinned by the necessary monitoring activities (The *OSCE Strategy Document for the Economic and Environmental Dimension*, para. 2.1.11).

In closing, the sophistication and complexity of financial markets create continuous challenges for the definition of an appropriate regulatory framework that finds the right balance between avoiding stifling growth and securing systemic stability, even in the more evolved regulatory environments prevalent in advanced economies. Financial development is still limited among many of the emerging markets in the UNECE region, which is usually accompanied by less robust regulatory institutions and weaker internal risk management systems in financial companies.

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[82] M. Giannetti, L. Guiso, T. Jappelli, M. Padula and M. Pagano, *Financial Market Integration, Corporate Financing and Economic Growth*, European Commission Economic Papers, No. 179, November 2002.

[83] G. Nini, "The role of local banks in promoting external finance: a study of syndicated lending to emerging market borrowers", Bank for International Settlements, 2004.

[84] L. Guiso, P. Sapienza and L. Zingales, "Does Local Financial Development Matter?", *The Quarterly Journal of Economics*, Vol. 119, No. 3, 2004.

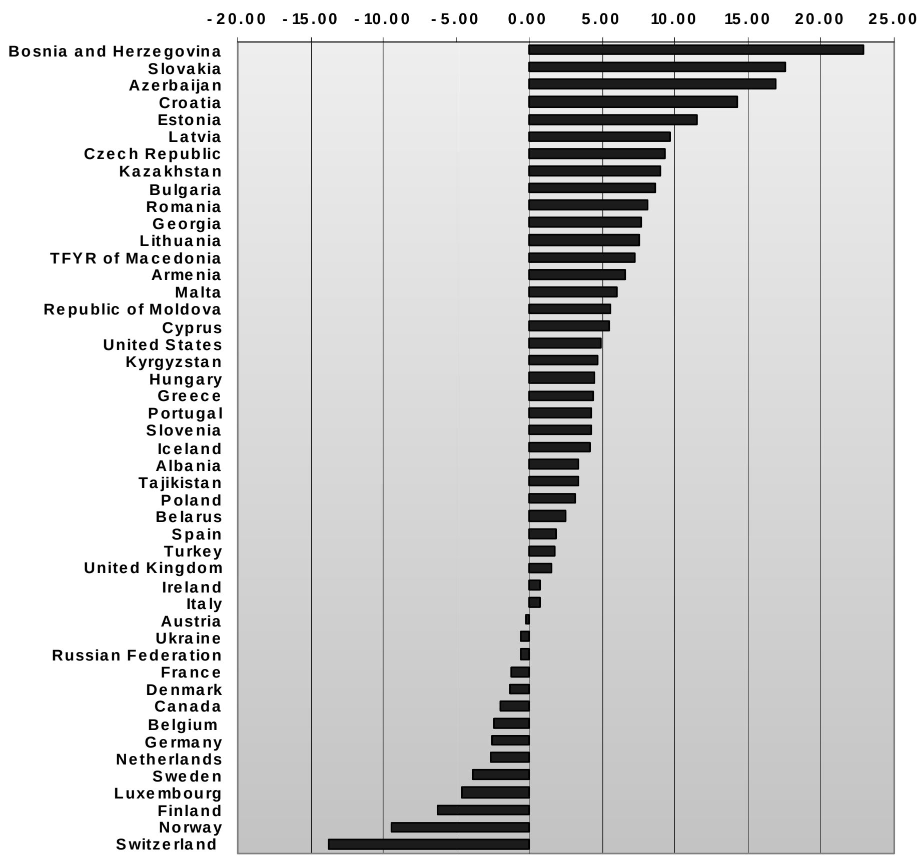
[85] World Bank and International Monetary Fund, *International Standards: Strengthening Surveillance, Domestic Institutions and International Markets*, 2003.

As the *OSCE Strategy Document for the Economic and Environmental Dimension* states, there is a strong link between financial stability and high quality accounting standards.

Financing needs

Fast growing, rapidly transforming countries – with substantial investment needs – are likely to feature sustained external imbalances. Therefore, access to external financing is a key determinant for these countries' macroeconomic stability. Admittedly, there is a significant degree of variance across countries with respect to the level and composition of capital flows.[86]

Figure 17: Net capital inflows as a per cent of GDP, average 2001-2003



Source: *UNCTAD Handbook of Statistics 2004*.
Note: Net capital inflows are calculated as the balance of the financial account minus reserves. Averages are 2002-2003 for Belgium and Kyrgyzstan and 2001-2002 for TFYR Macedonia and Switzerland.

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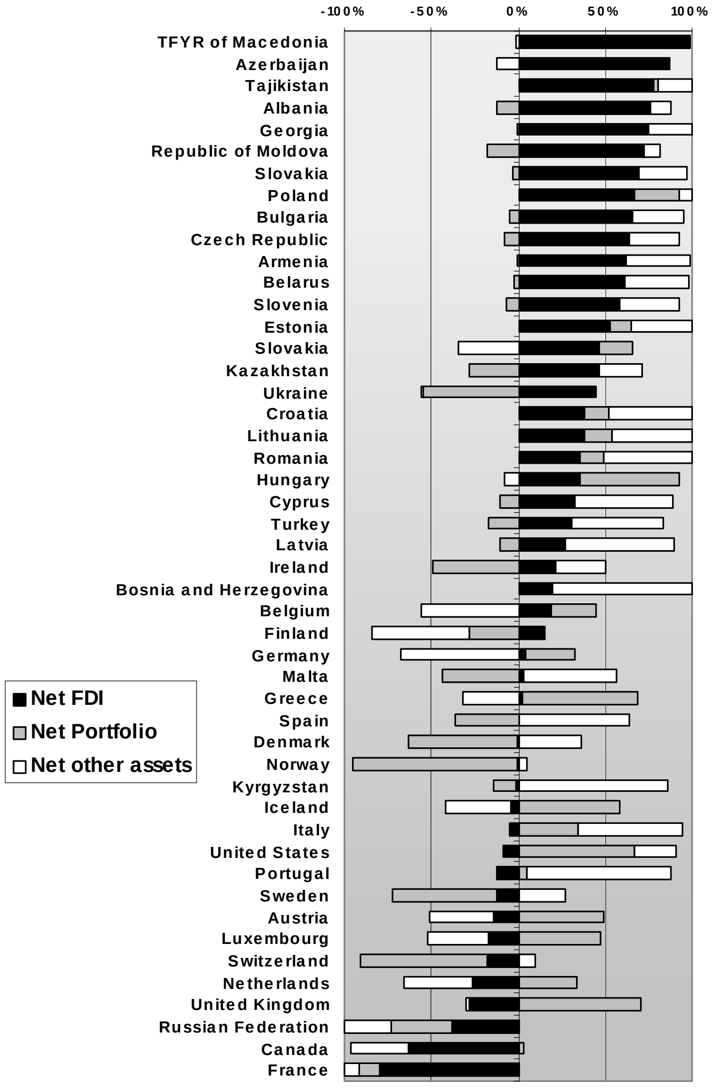
86 These differences reflect the dispersion of expected risk-adjusted returns and the variation in investing opportunities across countries. The basic factors determining these expectations include macroeconomic environment, institutional quality and legal framework. The degree of development of asset markets, privatization initiatives and the extent to which they are open to foreign investment shape possible investing opportunities.

There are three basic types of capital flows. Foreign direct investment involves participation in the management of the company, requiring conventionally an equity stake of no less than 10 per cent. Portfolio investment refers to transactions in financial assets (bonds and equities) while other investment includes trade credits and loans. These flows concern mainly the private sector. In addition, there are official flows that include foreign aid and currency reserves transactions.

Figure 18: Composition of capital flows, percentage, average 2001-2003

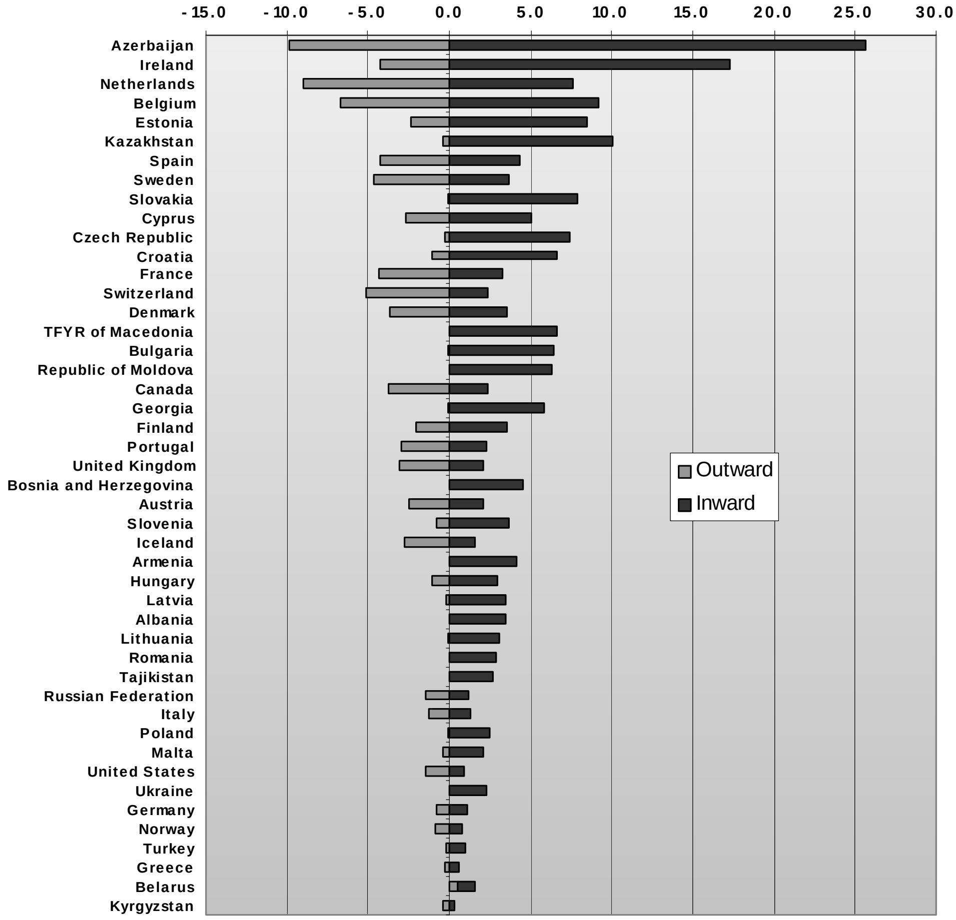


Source: *UNCTAD Handbook of Statistics 2004* and national statistics.
Note: 2002-2003 averages for Belgium and Kyrgyzstan and 2001-2002 for TFYR Macedonia and Switzerland.

The role of FDI

Globally, FDI is the most important source of external financing for emerging market economies. Foreign direct investment flows have risen rapidly in the recent decade, increasing much faster than trade and output until 2001, when they reached a peak fuelled by a boom in mergers and acquisition transactions. The subsequent decline in flows is largely explained by the fall in these M&A operations while FDI inflows to the UNECE emerging countries continued to display more positive dynamics.[87]

Figure 19: Inflows of FDI as a per cent of GDP, average 2001-2003



Source: IMF, *International Financial Statistics*, January 2005, *UNCTAD Handbook of Statistics 2004* and national statistics.

There are three basic types of FDI depending on various motivations of investors. (A clear-cut division between the various types of FDI is difficult to establish in practice and individual projects are likely to reflect mixed considerations.)

"Vertical" FDI exploits the locational advantages in terms of labour costs, skills and other factors, slicing the production process into various sections that are located in different countries. This type of FDI has played an important role in driving a shift in the structure of world trade, resulting in the emergence of transactions associated with the international "disintegration" of production.[88]

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87 This has been accompanied by a recent shift towards increased FDI in South Europe and the CIS, away from the Central European countries that remain leaders in terms of FDI per capita. Another remarkable trend in recent years is the emergence of large FDI outflows from some of these countries, including Russia, as some companies have expanded regionally.

88 W. Milberg, "The Changing Structure of Trade Linked to Global Production Systems: What are the Policy Implications", *International Labour Review*, Vol. 143, No. 1-2, 2004.

"Horizontal" FDI replicates domestic production in a foreign location in order to move it closer to the market. Local production may be necessary to penetrate a market with low purchasing power while high trade barriers and/or low cost of setting up operations may also encourage horizontal FDI. A third type of rationale – "strategic" – is present between advanced countries and reflects a desire to increase the competitive advantage of the acquiring firm by tapping into the resources (including technological capabilities and markets) of the purchased firm.

> We recognize that foreign and domestic investment is a necessary condition for sustainable and environmentally sound economic growth, increased employment, higher living standards and reduced levels of poverty, and hence for stability and security throughout the OSCE region (The *OSCE Strategy Document for the Economic and Environmental Dimension*, para. 2.1.13)

While FDI brings a number of beneficial macroeconomic consequences – as recognized above – it also has potential to generate some less discussed positive microeconomic outcomes. For example, FDI is associated with improved management techniques and technological transfers and it may provide a good way to overcome some institutional shortcomings (compared to other financial flows).[89]

FDI inflows can lead to agglomeration effects as first entrants create better conditions for others to follow. They may also generate a demand for intermediate products either encouraging more FDI or stimulating local supplies. The extent of the linkages with the local economy depends on the type of activity carried out. (Assembly operations of imported inputs have little potential to generate linkages.) The positive impact usually associated with FDI in terms of technology transfer and management techniques depends critically on the extent of these linkages.[90]

FDI can also have an impact on the spatial distribution of activities through the emergence of geographically concentrated clusters. This has been suggested by research focussed on non-EU members during the 1990s.[91] FDI also tends to be concentrated in sectors where multinationals have strong advantages due to their size and links with global distribution networks. Sectors where economies of scale are prevalent such as chemicals, transport equipment and vehicles are precisely those where relocation processes have been more intense. This implies that the initial comparative advantage of the host country is not necessarily a good predictor of the

[89] It has been argued that a high *share* of FDI in capital inflows may not represent an endorsement of domestic economic policies. Countries that are riskier, less financially developed and with weaker institutions are less likely to attract capital overall but more of it in the form of FDI. R. Haussmann and E. Fernández-Arias, *Foreign Direct Investment: Good Cholesterol?*, Inter-American Development Bank, Working Paper, No. 417, 2000. Positive effects of FDI on growth however depend on the presence of other necessary conditions, namely a certain level of human capital accumulation. E. Borezenstein, J. de Gregorio and J. Lee, "How Does Foreign Investment Affect Growth", *Journal of International Economics*, Vol. 45, 1998, pp. 115-135.

[90] UNCTAD, *World Investment Report 2001: Promoting Linkages* (United Nations publication, Sales No. E.01.II.D.12).

[91] L. Resmini, "Economic integration and regional patterns of industry location in transition countries", paper presented at the 43rd ERSA European Conference, 27-30 August 2003.

sectors where FDI will flow (as the case of Ireland shows).[92] Thus, FDI can generate new patterns of production.[93]

Another trend is the increased importance of FDI in services, which is undermining the traditional dominance of manufacturing. (This is in line with the increased importance of services in economic activity.) It also reflects technological changes that have increased the tradabilility of services, resulting in fiercer competition and a wider scope for the international organization of integrated production networks.[94]

Barriers to cross-border expansion: EU trade in services

The possibilities opened by technological change are in sharp contrast with the resistance to liberalization of trade in services observed within a highly integrated framework of the EU. The currently debated services directive could have a significant positive impact on competitiveness and employment.[95] The reduction of barriers to service provision could also bring FDI into the liberalized sectors. The proposed draft envisages a "big bang" approach to liberalization, as opposed to a gradual and partial reduction of barriers. It has two main directions: the simplification of the rules governing the right to open a subsidiary in another EU State and the application of the country of origin principle, according to which companies could provide services in any member State, as far as they are in conformity with the rules of the home State. Strong opposition has been fuelled by fears of the impact of competition on local markets, in particular from the new EU members and other lower cost locations. The entrenched resistance means that the final shape of the directive is uncertain. Exclusions and exceptions, which seek to award protection to local providers, risk critically undermining its scope.

Competitive pressures that force continued gains in cost efficiency may lead to relocation decisions with negative consequences for the host economies. Thus, although FDI decisions are not as easily reversed as those relating to other types of capital, the potential for capital outflows exists, with direct implication for welfare of specific communities. This underlines the need for continuous efforts to preserve competitive advantages by continually adapting to an evolving economic environment. In this regard, it is worth reminding that wages are not the only cost and that price is not the only competition factor in many markets.

Finally, the belief in the beneficial effects of FDI has led sometimes to the provision of public incentives. The economic justification of these policies is not always clear and there is a general consensus that efforts should be first oriented to create good

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[92] F. Barry and J. Bradley, "FDI and Trade: The Irish Host-country Experience", paper presented at the Royal Economics Society Annual Conference, University of Staffordshire, 24-26 March 1997.

[93] This has been clearly demonstrated in the export-oriented FDI flowing to some Central European countries, which have witnessed a significant shift in the composition of exports in a relatively short period of time.

[94] UNCTAD, *World Investment Report 2004: The Shift Towards Services* (United Nations publication, Sales No. E.04.II.D.36).

[95] A recent study of the impact of the directive, as proposed by the EU Commission, projects price falls in the covered sectors, generalized output increases and net employment gains of up to 600,000 jobs across the EU. Copenhagen Economics, *Economic Assessment of the Barriers to the Internal Market for Services, Final Report* (Copenhagen), January 2005.

conditions for foreign and domestic investors alike.[96] Competition in the provision of incentives among interested countries may lead to undesirable results. While accession to the EU has constrained the possibilities enjoyed by the new members in this area, there are no clear multilateral rules that can overcome coordination failures on this issue at a wider level.

Migrant workers' remittances

Recently, there has been an increased interest in migrant workers' remittances. Their hybrid character, which derives from its link with labour market developments and its role as a source of finance, makes it worth considering in the context of international financial integration.[97] Globally, remittances represent the second largest financial flow after FDI.[98]

On the one hand, the heightened interest reflects recent growth of money transfers across international borders (primarily due to increased labour mobility). On the other hand, there has been a noticeable shift on how the economic effects of remittances are evaluated.[99] Nevertheless, the magnitude and dynamism of remittances pose many policy questions, which generally point to the need for appropriate conditions in order for the positive contribution of transfers to be realized.[100]

Remittances, considered below, are transfers by permanent and temporary workers as well as by immigrants returning to their home countries. Technically, in the balance of payments, these items are reflected as current transfers, compensation of employees and capital transfers, respectively. It is generally believed that official statistics capture only part of the actual flows and, therefore, the data likely underestimate their actual magnitude.[101]

Remittances are large and critical in many ECE members, some of which are among the top recipients in the world (compared to the size of their economies). In Albania, Armenia, Bosnia and Herzegovina, the Republic of Moldova and Tajikistan,

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96 M. Blomstrom, "The Economics of International Investment Incentives", *International Investment Perspectives*, OECD, 2002.

97 C. Buch and A. Kuckulenz, *Worker Remittances and Capital Flows to Developing Countries*, ZEW Discussion Paper, No. 04-31, 2002.

98 D. Ratha, "Workers' Remittances: An Important and Stable Source of External Development Finance in World Bank", *Global Development Finance 2003* (Washington, D.C.).

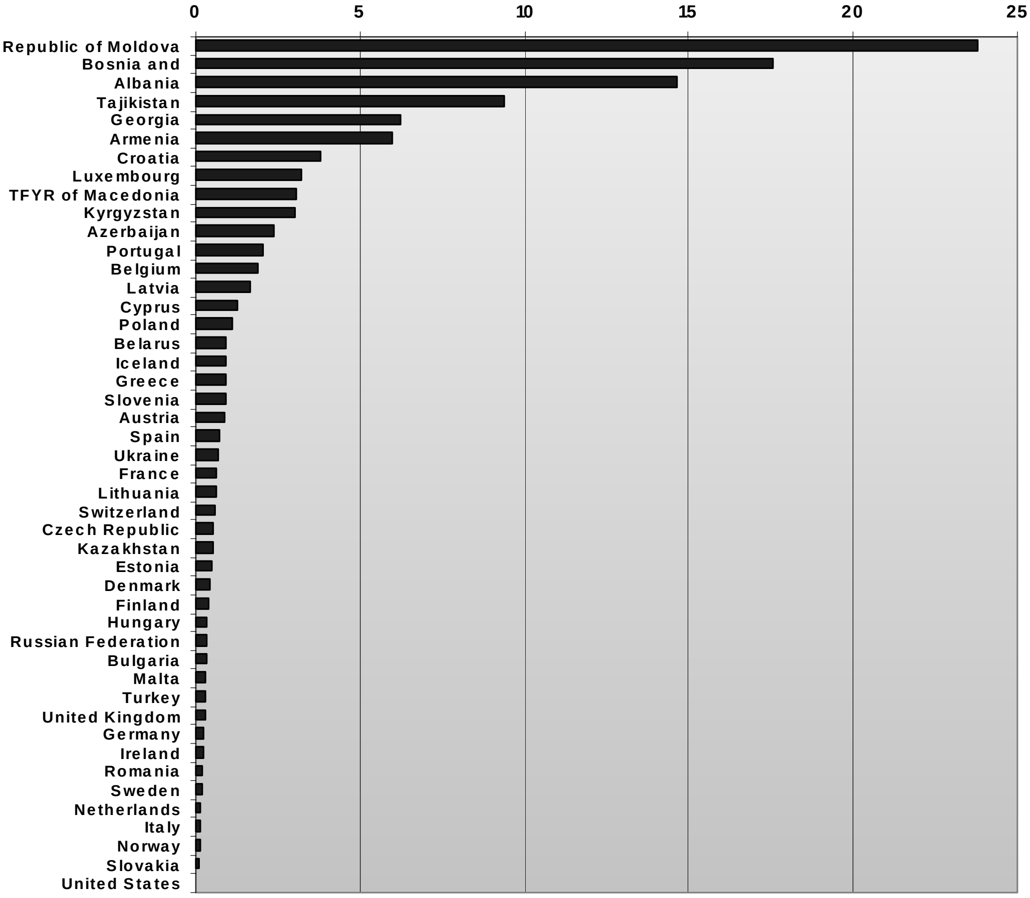
99 The current prevailing viewpoint focuses on remittances as a source of financing and downplays concerns that such transfers significantly contribute to the continuous external dependence.

100 While there has been a positive reappraisal of the role of remittances as a source of financing, there are also drawbacks. Migration of skilled workers may deplete the human capital base of the country while raising the cost of providing services by highly qualified and mobile professionals. J. Sachs et al., *Investing in Development. A Practical Plan to Achieve the Millennium Development Goals*, United Nations Millennium Project, 2005. Moreover, migrants may be forced to endure harsh working conditions and possible discrimination due to lack of protection**.** This is particularly the case when they have an irregular status and work in the shadow economy.

101 A word of caution is also required regarding differences of treatment across countries and time. For example, in-kind transfers may be considered as imports of goods in some countries, therefore not appearing as remittances. Capital transfers (for example, the repatriation of assets when migrants return home) may not be accounted for in some countries, again reducing the reported level of remittances.

remittances in 2003 were greater than any category of capital inflows (i.e. FDI, portfolio or other investment). In these six ECE members, remittances accounted for well above 5 per cent of GDP. Generally, in 2003 remittances were greater in countries that are considered higher investment risk and have relatively poor access to international capital markets (as judged by low or non-existent credit ratings). This fact underlines the importance of money transfers as a source of financing, in particular for the least developed economies.[102]

Figure 20: Remittances received, as a per cent of GDP, 2003



Source: *UNCTAD Handbook of Statistics 2004* and UNECE database.

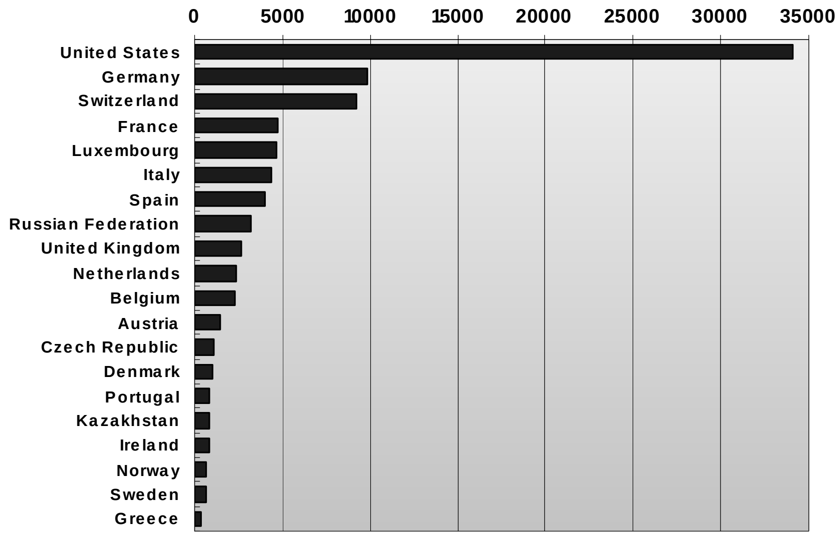
Note: 2002 data for TFYR of Macedonia, Kygyzstan and Switzerland; 2000 data for Slovakia.

Geographically, the largest recipients of remittances are located in South-east Europe and the CIS region. In the first group of countries, remittances mostly originate in Western Europe and in the United States. In the CIS countries, Russia and, to a lesser extent, Kazakhstan appear to be important sources. Russia occupies the eight place in the ranking of countries by the size of remittances paid out in absolute terms and fifth

[102] Moreover, remittances ease external financing constraints, thus enabling recipient countries to run larger deficits than it would be possible otherwise. In the Republic of Moldova, for example, consumption is higher than GDP, thanks to the support provided by remittances.

in net terms (after taking into account transfers received).[103] The recent robust economic performance, language and common legacy have facilitated migratory flows that give rise and support remittances in the CIS region.

Figure 21: Remittances paid, in millions of dollars, top 20 countries, 2003



Source: *UNCTAD Handbook of Statistics 2004*.
Note: 2002 data for Switzerland.

Remittances are less volatile than all capital inflows in aggregate. This relatively more stable nature of workers' remittances implies that they could act as a cushion in times of financial instability or crisis and reduce the impact of economic slowdowns. Remittances can also negatively impact the recipient economy by transmitting unfavourable changes in the economic performance of host countries. Finally, remittances can also create short-term macroeconomic management problems. An appreciation of the national currency may damage competitiveness of the traded goods sectors and thus require offsetting – and often costly – efforts on the part of the monetary authorities.

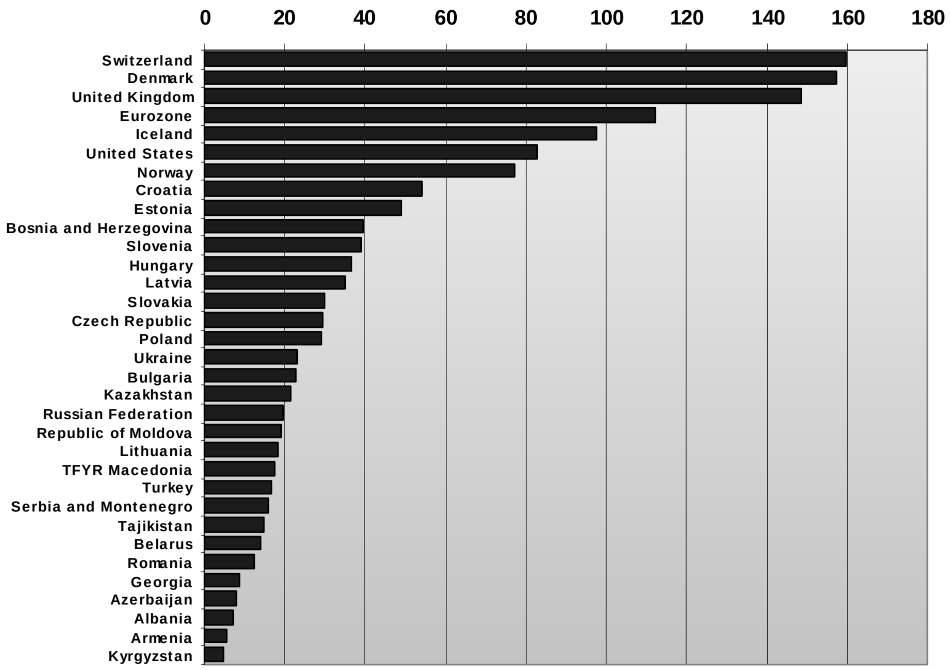
The level of development of the financial sector has a direct bearing on the flow of remittances and its potential impact on the recipient economy. The prospects of high transfer costs negatively affect the decision to send funds home as these costs effectively diminish the amount that is received. In other words, inefficiency of the domestic financial sector acts as a tax on financial flows. Therefore, progress in making domestic financial systems more competitive could serve to increase both the total amount of transfers and the share that circulates through formal channels, in effect raising the pool of resources available for future lending. In this way remittances could make a positive contribution to the growth of the capital stock

[103] Capital transfers to Russia may have been exceptionally large in recent years, as they have been boosted by the relocation of ethnic Russians living in other CIS countries after the dissolution of the former Soviet Union, in particular from Central Asian countries.

either through its impact on widening the deposit base of the banking system or directly through financing business investments.

There is some evidence that remittances have been used by some banks in recipient countries to build a customer base.[104] The transfer of remittances allows banks to gather information about their customers, which in turn facilitates cross-selling of other financial products. Overall, a well-functioning banking system will encourage remittances and it may provide alternative investment opportunities. In the emerging markets countries of the ECE region, however, financial depth is low and capital markets not well developed (Figure 22).

Figure 22: Credit as a per cent of GDP, 2003



Source: IMF, *International Financial Statistics*, January 2005, *UNCTAD Handbook of Statistics 2004* and UNECE database.

There are also other tangible and intangible benefits of remittance flows across borders. A steady flow of remittances often makes a positive contribution to investment climate, spurring institutional development and easing financing constraints.[105] Migrant transfers can underpin credit ratings, which serve to attract other financial inflows.

[104] A study of workers' remittances in Armenia shows that official channels are more widely used in transactions originating from Russia than from western Europe, due to much lower transaction costs, as banks have specifically targeted this type of business. B. Roberts and K. Banaian, "Remittances in Armenia: Size, Impacts and Measures to Enhance their Contribution to Development", Third Annual International Conference on Armenia (Washington, D. C.), 15-16 January 2005.

[105] However, if remittances largely support consumption, they are less likely to affect or to be affected by investment climate.

In some countries, future remittance flows have been used as a collateral to raise funds in international capital markets.[106] These secured bonds have benefited from higher credit ratings and lower financing costs than ordinary obligations of the issuing countries. However, this may be a premature idea for many UNECE members as most of the largest transfer recipients have limited experience in capital markets.

International experience also shows a number of policy schemes that seek to channel remittances to specific uses, constituting a pool of funds that is attracted on the basis of low or zero transfer fees and perhaps tax advantages aiming at investment in social and business projects. Governance issues should be addressed firmly before such projects are undertaken. Strengthening the financial system would appear to be a priority task before any such projects are undertaken. A possible extension of this institutional development would be involvement of microfinance institutions in the remittance transfer process and the provision of financial services to recipients although this may require significant regulatory changes.[107]

Finally, it should be stressed that workers' remittances is just one of the channels through which migrants strengthen integration of the host and recipient economies. Well-established communities abroad (diasporas) can also be a source of investment. Broadly speaking, migrants reduce the information costs incurred in developing economic relations between different countries, thus stimulating trade and financial flows.[108]

Capital markets: major trends

As noted above, capital markets – a major driver integrating the global economy – have experienced a dramatic growth in the last two decades or so.

> The participating States acknowledge that a market-oriented financial system facilitates the expansion of economic cooperation and that financial instruments play an important role in that context. The participating States agree that capital from private sources will progressively become the principal source of external finance (*The Bonn Document)*.

The sharp growth of global financial stock has been accompanied by the rising importance of cross-border capital flows.[109] Globally, international private debt securities have been the fastest growing component. Moreover, tradable assets (debt and equity securities) have been growing more rapidly than non-tradable (bank

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106 Brazil, Mexico and Turkey are among the countries that have used future workers' remittance-backed securities to raise external financing.

107 A thorough discussion of various experiences in this area and the various policy dilemmas is undertaken in B. Johnson and S. Sedaca, *Diasporas, Emigrés and Development. Economic Linkages and Programmatic Responses*, A Special Study of the USAID Trade Enhancement for the Services Sector Project, March 2004.

108 A. Mody, "Is FDI Integrating the World Economy?", *The World Economy*, Vol. 27, No. 8, 2004.

109 In the United States, which is at the centre of the global financial market, foreigners hold 12 per cent of US equities, 25 per cent of US corporate bonds and 44 per cent of treasury securities, up from 4, 1 and 20 per cent, respectively, in 1975. McKinsey Global Institute, "$118 Trillion and Counting: Taking Stock of the World's Capital Markets", February 2005.

deposits).[110] This has been particularly the case in the emerging UNECE economies. Bank deposits account there for a much larger share of the financial stock than in the more advanced members, reflecting the earlier stages of financial development. However, the growth of tradable assets has been nothing short of remarkable (Figure 23).

Table 23: Financial stock growth, compound annual growth rate, per cent, 1993-2003

	United States	United Kingdom	Eurozone	Other UNECE members
Equity securities	11	8	12	56
Private debt securities	11	21	11	26
Government debt securities	2	5	8	17
Bank deposits	7	13	9	14

Source: McKinsey Global Institute, Global Financial Stock Database.
Note: The United States government debt securities stock grew much faster in 2002 (8 per cent) and 2003 (11 per cent). Other UNECE members include Albania, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Macedonia, Poland, Romania, Russian Federation, Slovakia, Slovenia and Ukraine.

The emerging markets in the UNECE region have participated in these global trends. Falling interest rate spreads have been supported by improvement in credit quality across the region (as gauged by repeated credit ratings upgrades).[111] In addition, some countries obtained an international credit rating for the first time in 2004 (Macedonia, Serbia and Montenegro). Altogether, 37 of the 55 UNECE member countries had an investment grade rating by the end of February 2005. Non-rated and sub-investment grade countries (according to Standard and Poor's) are located in the Balkans and the CIS, implying a more restricted access to finance. Both Russia and Kazakhstan, however, have investment grade ratings by all three major rating agencies.[112]

OSCE participating States will endeavour to achieve or maintain international and domestic policies aimed at expanding the free flow of trade, capital, investment and repatriation of profits in convertible currencies (*The Bonn Document*).

A significant increase in the stock of international debt securities has taken place over the last decade, with the rate of growth largely exceeding the increases seen in domestic securities over the same period. Observed increases have been particularly large in many UNECE emerging market economies. However, in those countries, the starting point was very low and the ratio to GDP remains very small (Figure 24). International debt issuance has helped them to overcome the limitations of nascent domestic financial

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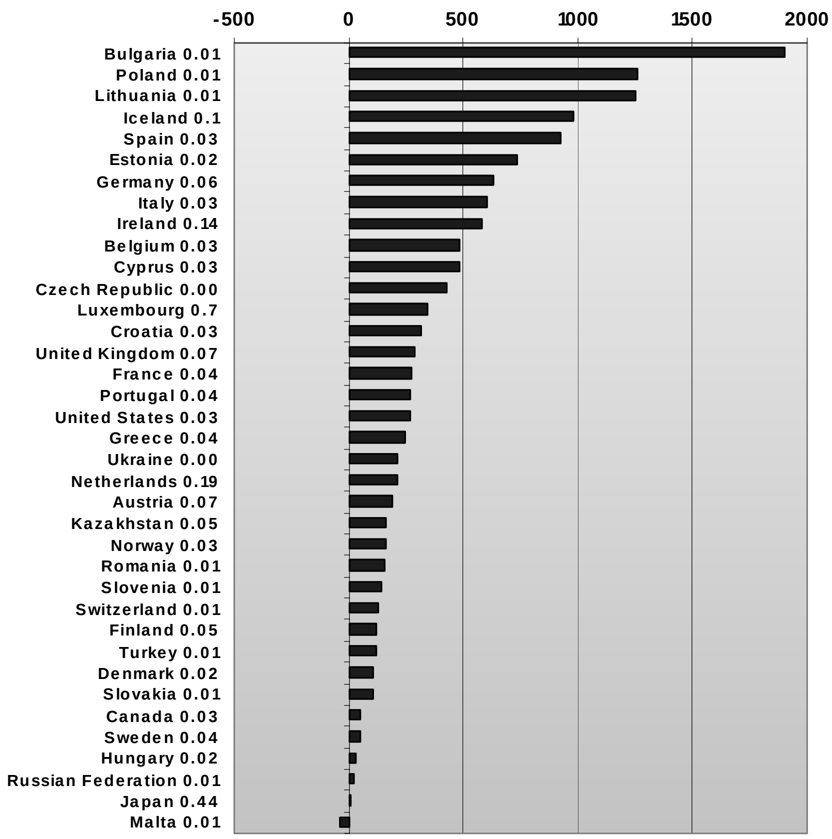
110 It is estimated that over the last twenty years the depth of the global capital market, as measured by the ratio of the financial stock (equity and debt securities and bank deposits) to GDP has tripled, being now around three times the size of GDP. McKinsey Global Institute, ibid.

111 These fell in the wake of the 1998 Russian crisis in a number of countries but have since staged a significant recovery.

112 A credit rating for public debt eases the access of corporations and banks (non-sovereigns) to international capital markets, creating a benchmark that facilitates pricing of borrowing by non-State entities. It provides an indication to other investors of the overall risks involved in operating in a particular country. Given the segmentation of sovereign bond markets, an investment rating provides protection against the risk of contagion from the difficulties experienced in other non-investment grade emerging market countries.

markets. In addition, it has served as a source of long-term funding for banks and corporations as well as reflecting the refinancing or securitization of Paris Club debt.[113]

Figure 24: Growth stock international debt securities by residence of issuer, end 1999-end 2004, per cent



Source: Bank for International Settlements, *UNCTAD Handbook of Statistics 2004*.
Note: Number after the name is the ratio of the 2003 stock to GDP.

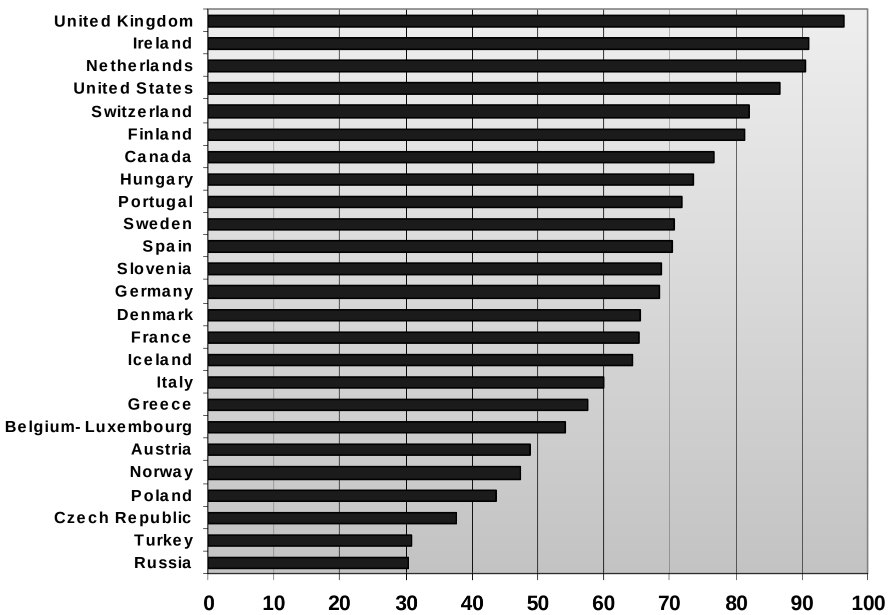
Cross-border listing of foreign equities has also fostered financial integration. However, international equity primary issuance has been very limited among emerging countries in the UNECE region as only a handful of them have companies large enough to seek the benefits of an international listing. The attractions of an international listing are inversely related with the development of the domestic market.[114] The possible participation of foreigners in domestic stock markets is constrained by the amount of free float, i.e. the percentage of shares that can be effectively purchased, not being in

[113] There are some exceptions regarding the generally faster pace of development of international securities. In some cases, such as in Hungary, internationalization has taken place through the participation of non-residents in the domestic debt market. In Russia, corporate issuers have made repeated forays in international capital markets but, at the same time, the strong financial position of the government has led to a sustained reduction in the stock of public external debt.

[114] American Depository Receipts, which allow trading of foreign stocks in United States platforms, have been widely used. More than 700 European companies have issued ADRs, including many from UNECE emerging markets, which are active users of these instruments (www.adrbny.com).

the hands of strategic investors or subject to other restrictions. The amount of free float is typically lower in emerging market economies of the UNECE region.

Figure 25: Free float as per cent of market capitalization, selected countries, January 2005



Source: Standard&Poor's, *The World by Numbers, 2005*, www.sandp.com.
Note: Free float is calculated on the basis of the S&P / Citigroup BMI Global Index.

The role of the EU/EMU

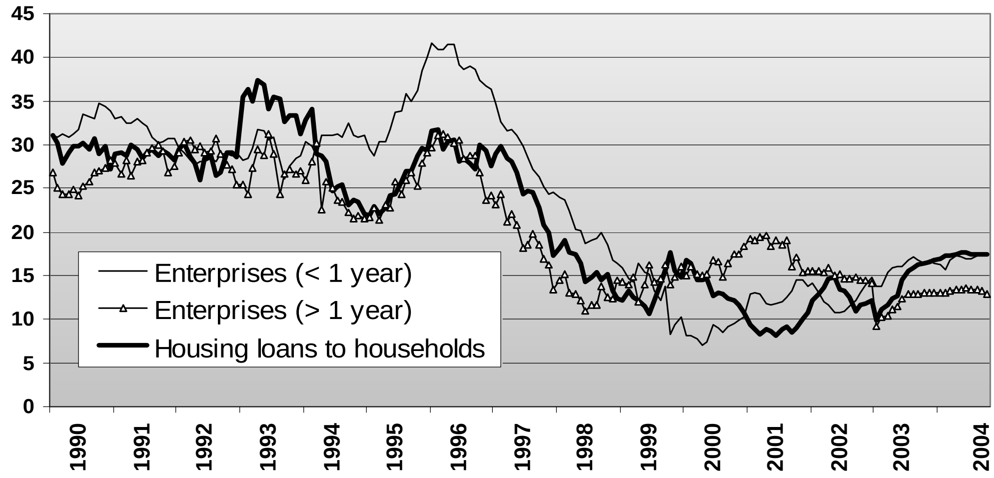
The formation of a monetary union has had a profound impact on the financial architecture in Europe. The adoption of a common currency has facilitated capital flows by removing currency risk and by pushing forward a harmonization process in investment-related areas (such as settlement and clearing systems). The emergence of a pan-European corporate bond market has had a positive impact on the reduction of the cost of capital in the Eurozone.

There has not been however perfect convergence in interest rates. Interest differentials in government debt narrowed sharply as the EMU launching day approached to become small but distinct from zero. The persistence of interest spreads on government debt also reflects differences in liquidity for various issues and national investor bases. Some concerns on the dynamics of public finances have also been occasionally reflected in widened spreads.

Differences in interest rates on household mortgage and enterprises loans are far more significant. This should be expected, given higher information costs and the importance of local factors. The persistence of interest rate differentials is due to still limited cross-border provision of financial services.[115]

[115] For a more thorough discussion see S. Kleimeir, *European Financial Integration. Evidence on the Emergence of a Single Eurozone Retail Banking Market*", METEOR Research Memoranda, No. 060, 2002.

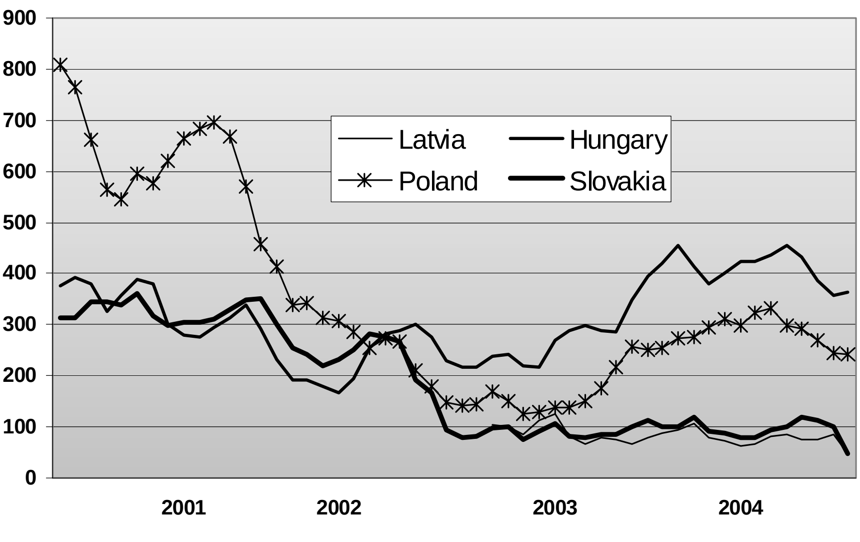
Figure 26: Convergence of interest rates in EMU



Source: Eurostat.
Note: Coefficient of variation is a measure of dispersion. Lower values imply higher convergence of interest rates.

The prospects of EU membership and its corollary of eventual participation in the EMU have been driving convergence of government bond yields towards EMU levels in the new EU member countries. Progress in this direction has not been without setbacks in some cases.

Figure 27: Spread 10-year government bonds vis-à-vis German bonds, selected countries, basis points



Source : Eurostat.
Note : one percentage point equals 100 basis points.

With the exception of Hungary, long-term interest rate spreads are similar to those observed in ERM countries one or two years before the adoption of the euro (Figure 27 above).

The prospects of EU/EMU membership had a strong impact on long-term foreign currency credit ratings. The immediate effect of eventual EMU accession is to eliminate the distinction between foreign and local currency ratings. This is so because, in a monetary union, external constraints are less relevant as deficits are largely financed in a common currency. The strength of public finances becomes the main factor determining the creditworthiness of individual countries.

On the path to EU/EMU accession, this benefits countries with solid public finances but less strong external positions. This has been reflected in the action of rating agencies. For example, Moody's upgraded local currency ratings to the level of foreign currency ratings in December 2002 for eight acceding countries. The rating agency argued that the process of financial and economic integration was irreversible.[116]

Financial integration has also had an impact on European equity markets, although the real significance of EMU is still far from clear. Monetary union and an associated degree of coordination of fiscal policies create a common policy framework resulting in synchronized business cycles. There are a number of studies that suggest a reduced weight of country factors vis-à-vis sector considerations in explaining equity dynamics.[117]

Official aid

In contrast to the above-described highly integrated financial markets, there are many UNECE members that are recovering from recent conflicts, receive support of multilateral organizations in the implementation of specific programs and/or have very low per capita incomes. In many of these countries, official aid remains a very important source of financing.

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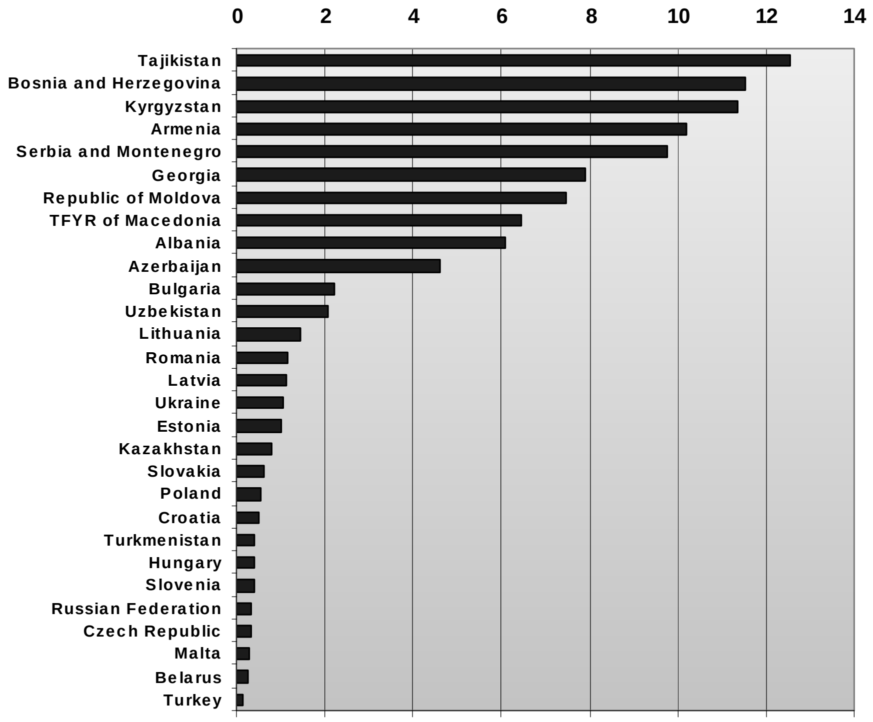
[116] This has not been followed by other agencies, which, while recognizing the importance of EU membership in supporting credit ratings, still differentiate between foreign and local currency risk, with the latter being typically higher.

[117] S. Cavaglia, C. Brightman and M. Aked, "The Increasing Importance of Industry Factors", *Financial Analyst Journal*, Vol. 56, September-October 2000; T. Kraus, *The Impact of the EMU on the Structure of European Equity Returns: An Empirical Analysis of the First 21 Months,* IMF Working Papers, WP/01/84, 2001; G. Galati and K. Tsatsaronis , *The Impact of the Euro on Europe's Financial Markets*, BIS Monetary and Economic Department, Working Paper, No. 160, July 2002.

Figure 28: Net official aid as a per cent of GDP, average 2001-2003



Source: OECD, *Development Cooperation Report 2004*, DAC Journal Vol. 6, No. 1 and *UNCTAD Handbook of Statistics 2004*.

Note : Average 2001-2002 for Slovenia.

Official aid and assistance granted to these countries is consistent with OSCE commitments.

In the OSCE area, some participating States still need assistance for transition, reforms and integration into the world economy in a fair and effective way (The *OSCE Strategy Document for the Economic and Environmental Dimension*, para. 1.5).

We will continue to cooperate closely with each other and with the relevant regional and international institutions and organizations through technical assistance and advice (The *OSCE Strategy Document for the Economic and Environmental Dimension*, para. 2.1.3).

IV. Integration through transport networks and corridors

Introduction

Transport plays a major economic, social and geo-political role. Transport is, indeed, vital to the well functioning of the economic activities, to production and distribution of goods as well as to trade. Transport ensures everyday mobility of populations and allows them to perform their economic and social activities. It provides access to basic services such as health and education. In addition, transport is an important economic sector itself, which accounts for a large share of GDP and employment. Furthermore, transport is crucial for the integration of regions, particularly those that are peripheral or isolated and for the reduction of unbalances among them. Transport, however, affects negatively people's safety and health as well as the environment. For these reasons, transport is a strategic responsibility of governments, which can play a major role in promoting efficient transport. They do it through two main tools: the development of transport networks and a regulatory framework within which transport services can develop efficiently and under the best possible conditions of safety and environmental protection.

At the international level, transport is vital to the development of international trade. International transport is also crucial for the integration of countries and for reduction of economic and social disparities among them. Globalization and the unprecedented increase in international trade is a major opportunity for countries, particularly for developing countries to boost their economic growth and improve the living conditions of their populations. In addition, international transport is a basic pre-condition for the development of tourism, another factor for socio-economic development. Facilitation and development of international transport is, therefore, of strategic importance for all countries.

Facilitation and development of international transport and trade in the UNECE region and integration of many UNECE member countries into the global economy face many obstacles and challenges. Basically, international transport requires adequate, coherent and integrated international transport networks and a regulatory framework that enables the development of efficient and low cost, uninterrupted, safe and sustainable transport services.

Insufficient, incoherent transport networks

Transport networks are, however, far from being adequate, coherent and integrated, particularly at pan-European level. *Rail networks* are not interoperable even within the EU-15. Track gauges, electric traction voltages, platform length at stations or other rail technical standards often diverge from one country to another, causing long and complex technical operations at borders. In EU-10 countries and in non-EU countries, rail networks, while dense, have lower capacity and provide lower transport quality than in the EU-15. For example, according to national statistics, the share of double-track rail lines in the total length of the rail network is, on average, about 45 per cent in the EU-15, while this share is on average less than 30 per cent in the EU-10 and just 14.3 per cent in South Eastern Europe. In some countries such as Albania, the Former Yugoslav Republic of Macedonia and Kyrgyzstan, all rail lines are single-track lines and there seem to be no double-track rail lines. The share of non-electrified lines is also higher in the EU-10 and in non-EU countries than in the EU-15 (Figures 29-31). As a result of these and other factors, rail transport, particularly international rail transport, is complex, long and unreliable and, therefore, uncompetitive with road transport, particularly between the EU-15 and the other countries.

More importantly, *road networks* in Central, Eastern and South Eastern European countries as well as in the Caucasus and Central Asia, in spite of the progress made in recent years, still suffer from decades of neglect and under-investment and lag far behind the road networks in Western Europe both in terms of capacity and quality. Road networks provide insufficient capacity to meet increased and foreseeable demand for road transport and are in great need of upgrading. According to national data, while there are, on average, about 16.5 km of motorways per km^2 in the EU-15, this figure is four times lower in EU-10 members and seven times lower in South-eastern Europe. In the CIS countries, the situation in this respect is much worse as the number km of motorways par km^2 is on average just 0.15, or over one hundred times lower than in the EU-15. Similarly, while in the EU-15 there are 141 km of motorways per million population, this number is about 40 or 3.5 times lower, in the EU-10; about 28 or five times lower in South-eastern Europe, and less than 12 or about 12 times lower in the CIS (Figures 32-34). In addition, the quality of existing roads in these countries is also much lower. For example, in some EU-10 member countries only a fraction of the road network (about 5 per cent) is suitable for the 11.5 kN axle load which is typical for the EU-15. Borders, long time conceived as barriers preventing people from travelling abroad, the crossing of towns and cities, level crossings with the railways and other circumstances often represent bottlenecks that cause international transport delays and additional costs. All these factors represent major obstacles to international transport and trade in the region.

Inland waterway networks, already limited to navigable rivers, are also hampered by bottlenecks and missing links as well as by technical standards that diverge from one basin to another and often also from one country to another.

All these network problems are aggravated by the *lack of sufficient funds* to address them. Infrastructure represents large investment. It is basically planned and financed from national budgets, in competition with other basic needs like education, health, housing or security. The share of GDP devoted to transport infrastructure networks is, therefore, limited. To remove gradually the considerable backlog in transport networks that developed in the UNECE region between the East and the West, post-communist countries should devote - for a large number of years - no less than 2 to 2.5 per cent of GDP to transport infrastructure networks. Alternative sources of financing can be dedicated funds, collected from users in the forms of tolls and taxes. However, transport users’ willingness to pay is also limited. Public-private partnerships to finance transport infrastructure networks is another promising source of financing. However, many legal, financial and institutional barriers still exist, that would need to be removed in order to encourage private sector funds.

Figure 29: Rail network in the UNECE, 2003

Country	Double track km	% of total network	Electrified km	% of total network	Total network km
Austria	1,844	31.9	3,360	58.0	5,787
Belgium	2,705	76.8	2,927	83.1	3,521
Denmark	937	41.2	624	27.4	2,273
Finland	507	8.7	2,400	41.0	5,851
France	16,133	55.1	14,505	49.5	29,269
Germany	17,957	49.8	19,829	55.0	36,054
Greece	813	33.7	83	3.4	2,414
Ireland	497	25.9	52	2.7	1,919
Italy	6,404	39.3	11,166	68.5	16,288
Luxembourg	140	50.9	262	95.3	275
Netherlands	1,887	67.1	2,064	73.4	2,812
Portugal	527	18.7	1,076	38.2	2,818
Spain	4,059	28.2	8,145	56.6	14,387
Sweden	1,734	17.5	7,638	77.3	9,882
United Kingdom	11,896	69.8	5,142	30.1	17,052
EU -15	**68,040**	**45.2**	**79,273**	**52.6**	**150,602**
Cyprus	0	0.0	0	0.0	0
Czech Republic	1,845	19.4	2,943	31.0	9,501
Estonia	108	11.3	131	13.7	959
Hungary	1,292	16.3	2,848	35.8	7,950
Latvia	303	13.3	258	11.3	2,270
Lithuania	404	22.8	122	6.8	1,774
Malta	0	0.0	0	0.0	0
Poland	8,714	43.8	12,035	60.5	19,900
Slovakia	1,019	27.9	1,556	42.5	3,657
Slovenia	331	26.9	504	41.0	1,229
EU-10	**14,016**	**29.7**	**20,397**	**43.2**	**47,240**
EU-25	**82,056**	**41.5**	**99,670**	**50.4**	**197,842**
Albania	0	0.0	-	-	447
Bosnia and Herzegovina	92	8.9	779	75.4	1,033
Bulgaria	966	22.4	2,847	65.9	4,318
Croatia	248	9.1	983	36.0	2,726
Romania	2,707	23.8	3,929	34.6	11,364
Serbia and Montenegro	276	7.2	1,247	32.7	3,809
The FYR of Macedonia	0	0.0	233	33.3	699
Turkey	440	5.1	1,752	20.1	8,697
South-Eastern Europe (8)	**4,729**	**14.3**	**11,770**	**35.5**	**33,093**
Armenia	0	0.0	-	-	711
Azerbaijan	802	37.8	1,270	60.0	2,122
Belarus	1,841	33.5	876	15.9	5,503
Georgia	297	19.0	1,565	100.0	1,565
Kazakhstan	4,801	34.9	3,865	28.0	13,770
Kyrgyzstan	0	0.0	-	-	417
Republic of Moldova	123	11.1	-	-	1,111
Russian Federation	36,327	42.5	42,335	49.5	85,542
Tajikistan	62	10.0	-	-	617
Turkmenistan	28	1.1	-	-	2,523
Ukraine	7,170	32.5	9,322	42.3	22,051
Uzbekistan	513	12.4	620	15.0	4,126
CIS (12)	**51,964**	**37.1**	**59,853**	**42.7**	**140,058**
Israel	132	27.3	-	-	483
Norway	214	5.2	2,518	61.7	4,077
Switzerland	1,719	53.2	3,231	100.0	3,231
Other UNECE (3)	**2,065**	**26.5**	**5,749**		**7,791**
Canada	19,987	27.29	147	0.2	73,252
United States	N/A	N/A	N/A	N/A	234,253
North America (2)	**-**	**-**	**-**	**-**	**307,505**
UNECE	**686,289**				**686,289**

Figure 30: Double-track rail lines as percentage of total rail network in the UNECE region

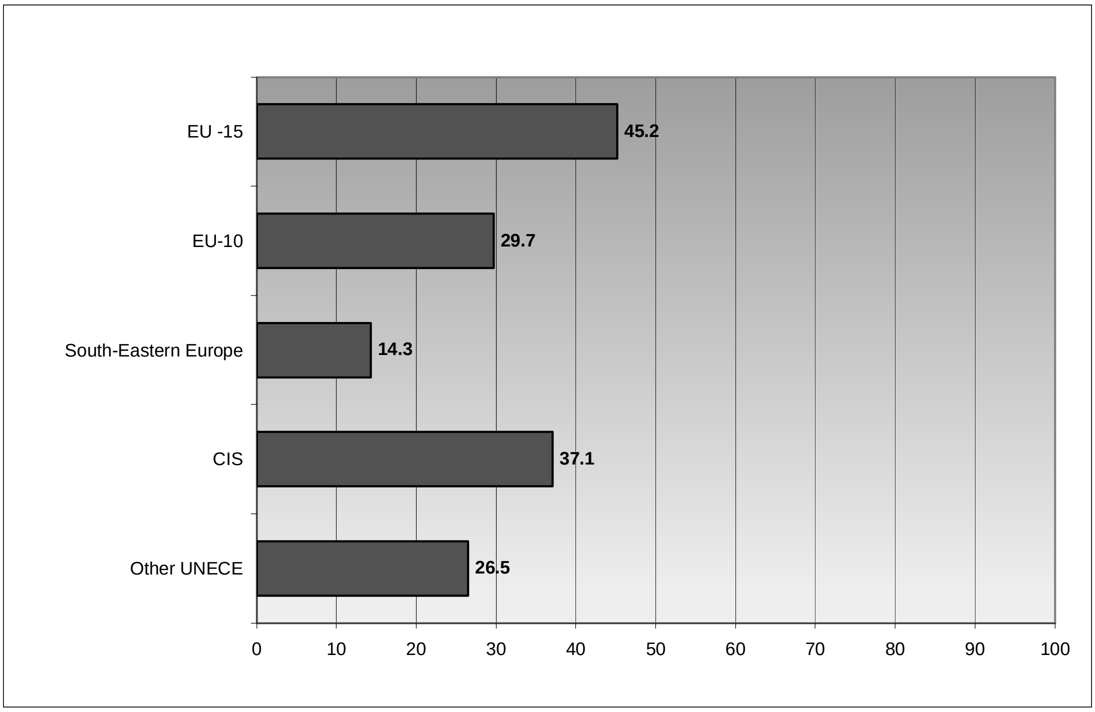


Figure 31: Electrified rail lines as percentage of total rail network in the UNECE region

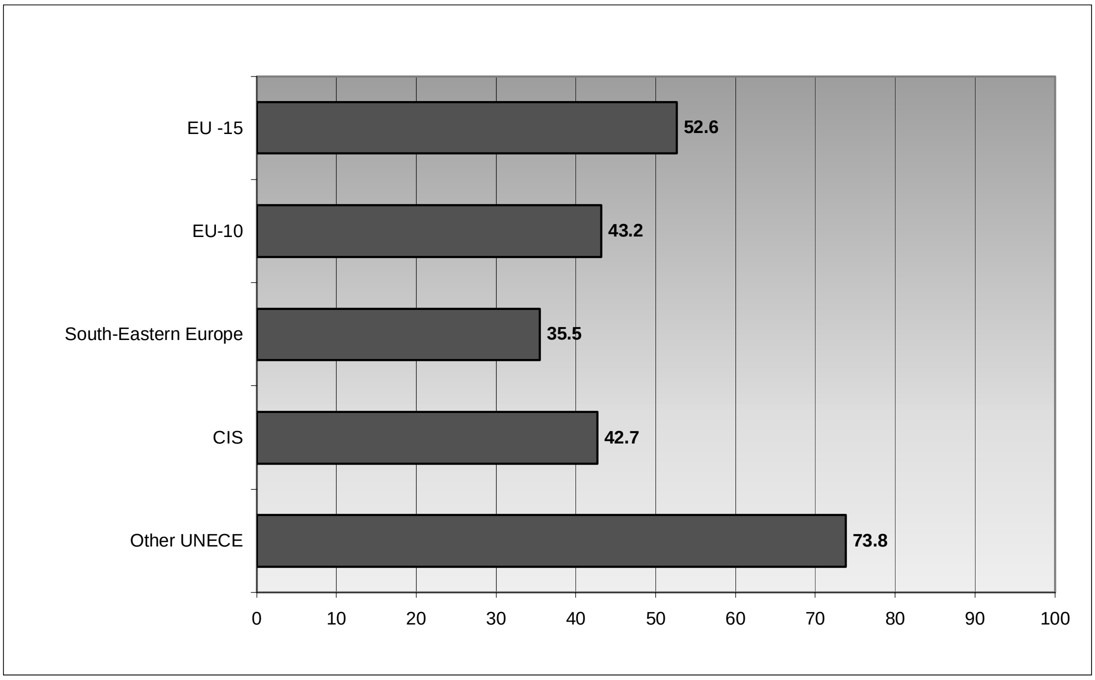


Figure 32: Motorways per km2 and population in the UNECE, 2003

Country	Motorways km	Area (km^2)	Population (1,000)	Motorways km/1,000km^2	Motorways km/ 1,000,000 population
Austria	1,670	83,858	8140.122	19.91	205.2
Belgium	1,730	30,528	10396.421	56.67	166.4
Denmark	1,010	43,094	5397.64	23.44	187.1
Finland	591	338,145	5219.732	1.75	113.2
France	10,223	551,500	59900.268	18.54	170.7
Germany	12,038	357,031	82531.671	33.72	145.9
Greece	730	131,957	11018.4	5.53	66.3
Ireland	176	70,273	3917.203	2.5	44.9
Italy	6,487	301,333	57844.017	21.5	112.1
Luxembourg	147	2,586	451.6	56.84	325.5
Netherlands	2,289	41,526	16258.032	55.12	140.8
Portugal	1,835	91,982	9991.654	19.95	183.7
Spain	9,571	505,992	41874.277	18.92	228.6
Sweden	1,529	449,964	8975.67	3.40	170.3
United Kingdom	3,609	242,900	57851.131	14.86	62.4
EU-15	**53,635**	**3,242,669**	**379,768**	**16.54**	**141.2**
Cyprus	268	9,251	730.4	28.97	366.9
Czech Republic	518	78,866	10,211.5	6.56	50.7
Estonia	98	45,227	1,351.1	2.17	72.5
Hungary	534	93,030	10,116.7	5.74	52.8
Latvia	-	64,589	2,331.5	..	..
Lithuania	418	65,200	3,445.9	6.41	121.3
Malta	…	316	399.9	..	..
Poland	405	312,685	38,190.6	1.30	10.6
Slovakia	302	49,036	5,380.1	6.15	56.1
Slovenia	457	20,273	1,996.4	22.54	228.9
EU-10	**2,999**	**738,473**	**74,153.9**	**4.06**	**40.4**
EU-25	**56,634**	**3,981,142**	**453,921.8**	**14.23**	**124.8**
Albania	-	28,748	3,102.8	..	..
Bosnia-Herzegovina	-	51,130	2,843.7	..	..
Bulgaria	324	110,910	7,801.3	2.92	41.5
Croatia	455	56,542	4,441.4	8.05	102.4
Romania	113	238,391	21,711.3	0.47	5.2
Serbia and Montenegro	374	102,173	7,498.0	3.7	49.9
The FYR of Macedonia	208	25,713	2,020.0	8.09	103.0
Turkey	1,851	774,815	71,251.0	2.39	26.0
South-Eastern Europe (8)	**3,325**	**1,388,422**	**120,669.4**	**2.39**	**27.6**
Armenia	-	29,800	3,212.2	..	..
Azerbaijan	-	86,600	8,265.7	..	..
Belarus	-	207,600	9,849.1	..	..
Georgia	-	69,700	4,315.2	..	..
Kazakhstan	-	2,724,900	14,862.5	..	..
Kyrgyzstan	141	199,900	4,984.4	0.7	28.3
Republic of Moldova	-	33,851	3,616.4	..	..
Russian Federation	1,300	17,075,400	144,168.2	0.08	9.0
Tajikistan	-	143,100	6,430.0	..	..
Turkmenistan	-	488,100	5,284.7	..	..
Ukraine	1,770	603,700	47,442.1	2.93	37.3
Uzbekistan	-	447,400	25,370.0	..	..
CIS (12)	**3,211**	**22,110,051**	**277,800.5**	**0.15**	**11.6**
Andorra	-	468	72.3	..	..
Iceland	-	103,000	290.6	..	..
Israel	74	21,056	6,748.4	3.51	11.0
Liechtenstein	…	160	30.0	..	..
Monaco	…	2	30.0	..	..
Norway	606	323,758	4,577.5	1.87	132.4
San Marino	…	61	30.0	..	..
Switzerland	1,342	41,285	7,364.1	32.51	182.2
Other UNECE (8)	**2,022**	**489,790**	**19,142.9**	**4.13**	**105.6**
Canada	16,571	9,970,610	31,629.7	1.66	523.9
United States	89,848	9,363,520	290,809.8	9.60	309.0
North America (2)	**106,419**	**19,334,130**	**322,439.5**	**5.50**	**330.0**
UNECE (55)	**171,611**	**47,303,535**	**1,193,974.0**	**3.63**	**143.7**

Figure 33: Kilometres of motorway per 1,000km2 in the UNECE region

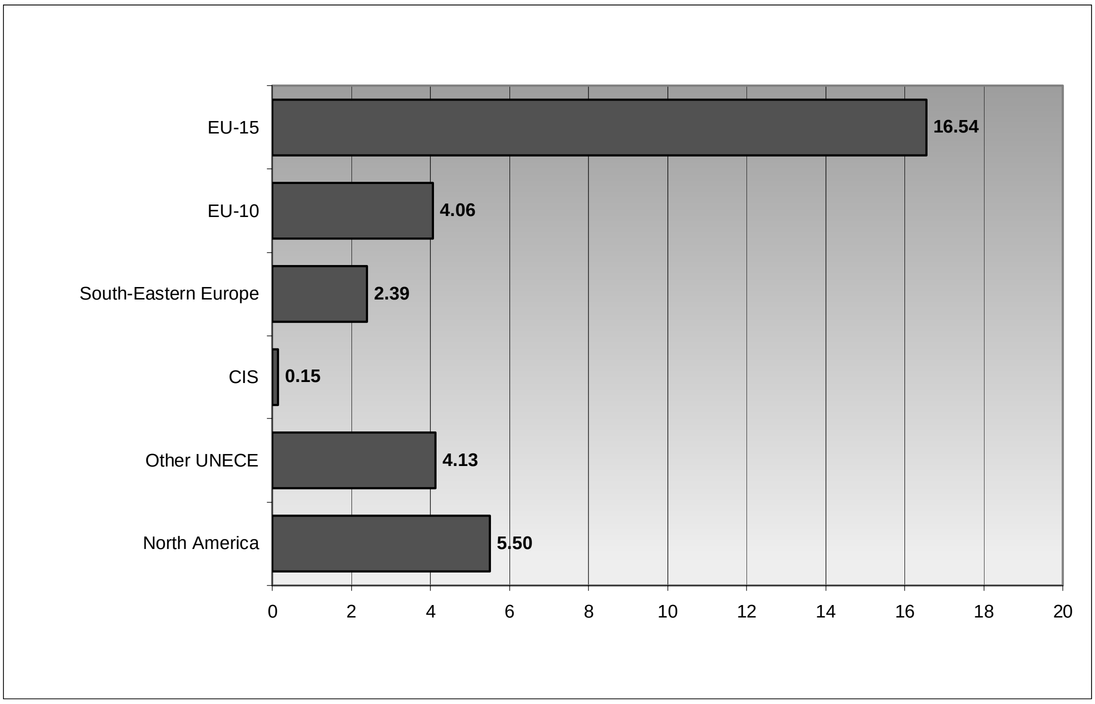
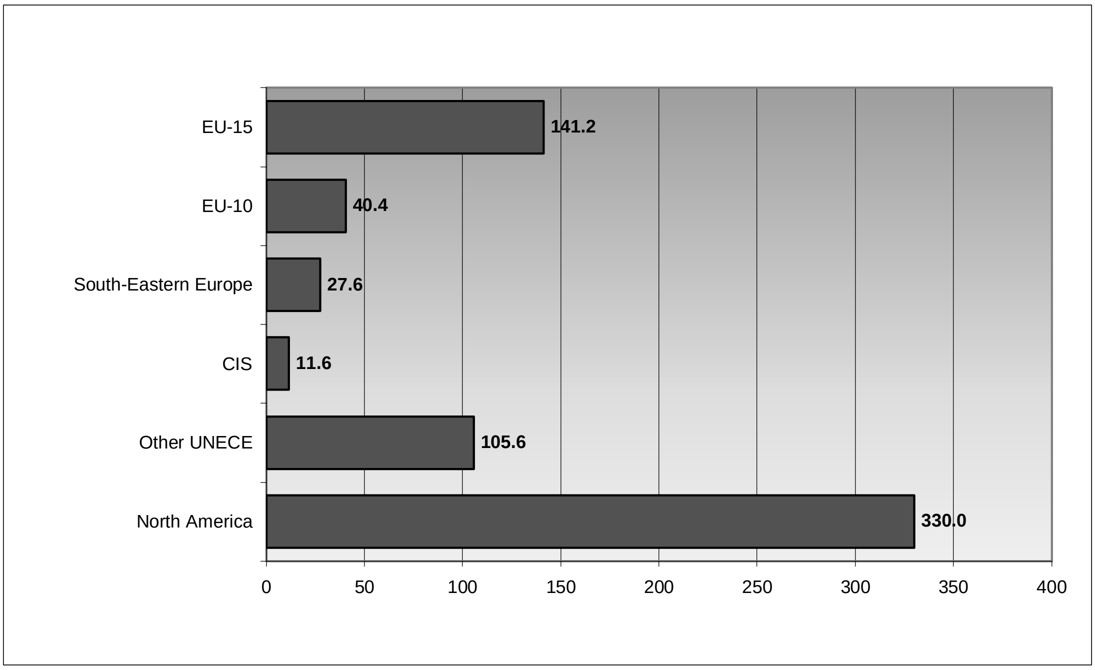


Figure 34: Kilometres of motorway per million population in the UNECE region



Long and cumbersome procedures and controls, arbitrary taxes

In addition to inadequate, incoherent and not integrated transport networks, international transport and trade in the UNECE region also face other obstacles and challenges of administrative and regulatory nature. Long, cumbersome and inefficient border controls, which still persist at many borders, add unnecessarily to transport delays and costs, and at the same time to the functioning costs of borders themselves. This is particularly true in international rail transport, where trains crossing borders between EU and non-EU countries or between non-EU countries quite regularly stay for hours waiting to be cleared. Arbitrary, discriminatory and non cost-related transit taxes can also be a deterrent for the development of international transport and trade, particularly for inexpensive commodities and for landlocked countries.

Security threats

International transport is vulnerable to security threats, particularly from organized crime and international terrorism. Major security threats for the transport systems include: vehicle theft; vehicle misuse as car-bombs; theft of dangerous substances during their transport; illegal border crossing of persons or goods, including those that may contribute to terrorist attacks; or attacks to key infrastructure points like tunnels and bridges. Transport equipment, as it was the case in the September 11 attacks or in the Madrid train bombings on 11 March 2004, may be a key instrument of terrorist attacks. Vehicles carrying dangerous goods could also be instruments for, or targets of, possible attacks with serious consequences.

Borders are particularly sensitive points from the security viewpoint, as organized crime and international terrorism engage in illegal traffic of goods and people. In order to combat this threat, appropriate controls and procedures are indispensable. However, it is important that these controls and procedures at borders are as efficient as possible and do not lead to excessive hindrances to international transport and trade.

Heterogeneous transport regulations

Transport rules and regulations that vary from one country to another can also be barriers to international transport and trade. These rules and regulations may concern road traffic rules, road signs and signals, the issuance of driving permits, the driving and rest periods of professional drivers, the transport of dangerous goods and many other transport issues.

Safety, environmental and health concerns

The still widespread use of old, unsafe and highly polluting vehicles in many countries raises safety, environmental and health concerns, which may represent another hindrance to international transport and trade. Together with the poor state of infrastructure and other circumstances, they result in inefficient transport services, congestion, higher rate of road accidents and victims (Figures 35-36) and higher air pollution than in other UNECE countries.

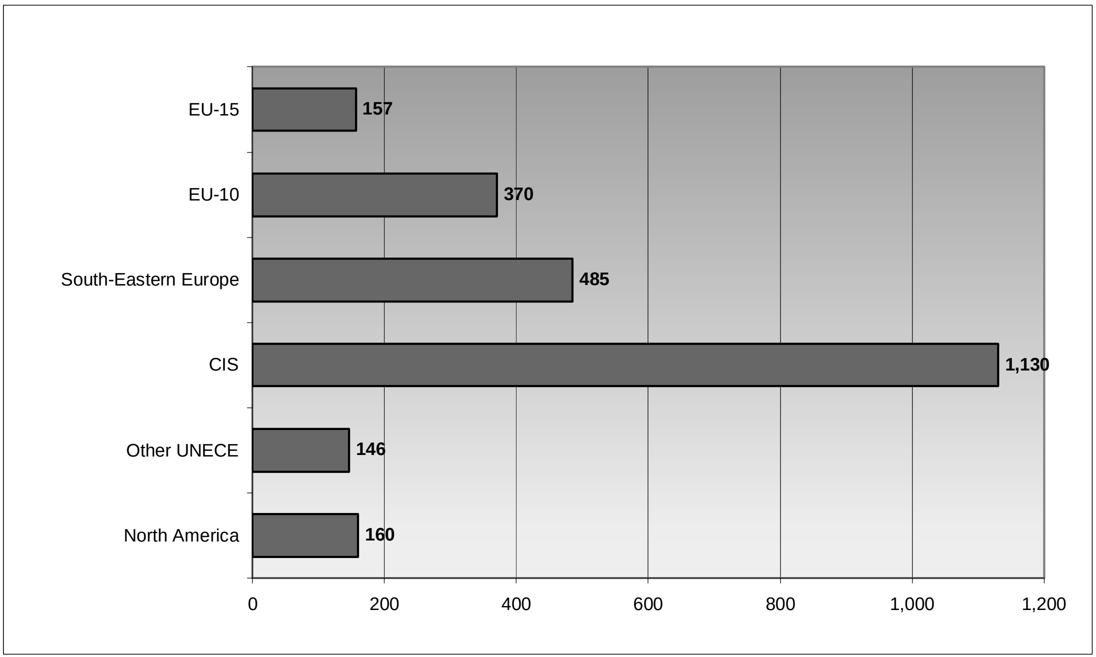
Figure 35: Basic road traffic safety data and indicators, 2002

2002	Accidents and casualties						Road safety indicators					
	Accidents		Casualties				Killed			Total casualties		
	Total (number)	of which: under the influence of alcohol (number)	Total (number)	*Total*	Killed (number)	Injured (number)	per 10^3 km of roads	per 10^6 vehicles	per 10^9 vehicle-km	per 10^3 km of roads	per 10^6 vehicles	per 10^9 vehicle-km
Austria	43,175	2,736	57,640	*57,640*	956	56,684	8.8	175	…	529.0	10,559	…
Belgium	47,444	…	66,500	*1,315*	1,315	65,000	8.8	231	14	446.2	11,677	718
Denmark	7,126	1,230	9,254	*9,254*	463	8,791	6.4	154	10	128.6	3,083	195
Finland	6,196	916	8,571	*8,571*	415	8,156	1.3	157	8	27.0	3,246	163
France	105,470	…	145,081	*145,081*	7,242	137,839	7.3	193	13	145.9	3,859	263
Germany	362,054	25,333	483,255	*483,255*	6,842	476,413	10.5	124	10	744.1	8,780	703
Greece	16,809	16,809	24,093	*24,093*	1,634	22,459	…	297	…	…	4,381	…
Ireland	6,625	…	9,582	*9,582*	376	9,206	3.9	216	…	100.1	5,493	…
Italy	237,812	2,901	344,614	*344,614*	6,736	337,878	8.3	143	…	422.7	7,314	…
Luxembourg	771	190	1,162	*1,162*	62	1,100	21.7	196	…	407.1	3,683	…
Netherlands	33,538	2,156	41,669	*41,748*	1,066	40,682	8.5	128	8	332.6	4,996	319
Portugal	42,219	...	58,054	*58,054*	1,469	56,585	19.9	174	…	785.2	6,863	…
Spain	98,433	...	152,264	*152,264*	5,347	146,917	32.6	215	47	927.7	6,127	1,325
Sweden	16,947	1,012	25,307	*25,307*	560	24,747	3.9	107	8	176.7	4,847	342
United Kingdom	221,751	13,150	302,605	*302,605*	3,431	299,174	8.2	110	8	719.3	9,699	702
EU-15 Total**	**1,246,370**	**66,433**	**1,729,651**	**1,664,545**	**37,914**	**1,691,631**						
EU-15 Average							**9.2**	**157**	**12**	**418.6**	**7,142**	**565**
Cyprus	2,369	60	3,620	*3,620*	94	3,526	8.1	208	…	312.3	8,015	…
Czech Republic	26,586	3,779	35,820	*35,820*	1,431	34,389	11.0	266	33	274.9	6,662	827
Estonia	2,164	641	3,091	*3,091*	223	2,868	4.2	420	33	57.9	5,824	452
Hungary	19,686	2,440	27,407	*27,407*	1,429	25,978	43.7	443	…	837.6	8,494	…
Latvia	5,083	904	6,818	*6,818*	518	6,300	8.5	636	65	112.4	8,371	849
Lithuania	6,091	995	8,125	*8,125*	697	7,428	8.9	519	687	103.3	6,047	8,005
Malta	14,062	…	1,312	*1,312*	16	1,296	7.0	61	…	577.7	5,032	…
Poland	53,559	7,801	73,325	*73,325*	5,827	67,498	15.4	382	…	193.9	4,812	…
Slovakia	7,866	1,032	10,873	*10,873*	610	10,263	32.1	345	…	572.5	6,143	…
Slovenia	10,199	1,550	14,198	*14,198*	268	13,930	6.8	262	27	362.7	13,901	1,451
EU-10 Total**	**147,665**	**19,202**	**184,589**	**184,589**	**11,113**	**173,476**						
EU-10 Average							**13.8**	**370**	**45**	**229.0**	**6,146**	**987**
EU-25 Total**	**1,394,035**	**85,635**	**1,914,240**	**1,849,134**	**49,027**	**1,865,107**						
EU-25 Average							**9.9**	**180**	**13**	**387.6**	**7,032**	**578**
Albania	328	15	478	*478*	250	228	13.4	1,070	…	25.6	2,045	…
Bosnia-Herzegovina	21,846	...	6,216	*6,216*	227	5,989	10.4	2,121	…	284.8	58,093	…
Bulgaria	6,769	440	9,059	*9,059*	959	8,100	25.7	322	551	242.9	3,040	5,209
Croatia	17,071	3,300	24,550	*24,550*	627	23,923	20.3	423	…	796.1	16,569	…
Romania	7,047	255	8,175	*8,175*	2,398	5,777	30.4	620	…	103.6	2,112	…
Serbia and Montenegro	...	…	…	…	...	...	…	…	…	…	…	…
The FYR of Macedonia*	1,644	165	2,600	*2,600*	176	2,424	12.8	512	…	189.4	7,563	…
Turkey	65,748	12,491	120,505	*120,505*	4,093	116,412	9.5	562	79	281.1	16,545	2,332
South-Eastern Europe (8) Tota	**120,453**	**16,666**	**171,583**	**171,583**	**8,730**	**162,853**						
South-Eastern Europe (8) Average							**12.9**	**485**	**95**	**253.0**	**9,532**	**2,426**
Armenia	1,002	37	1,448	*1,448*	235	1,213	40.3	…	897	248.1	…	5,525
Azerbaijan	2,196	78	3,128	*3,128*	642	2,486	25.7	1,417	…	125.1	6,902	…
Belarus	7,204	785	9,200	*9,200*	1,728	7,472	27.3	993	…	145.2	5,284	…
Georgia	2,011	…	3,024	*3,024*	515	2,509	25.5	1,601	1,583	149.5	9,403	9,296
Kazakhstan	12,967	2,278	18,039	*18,039*	2,410	15,629	27.3	1,878	…	204.1	14,054	…
Kyrgyzstan	2,966	304	4,286	*4,286*	725	3,561	…	3,548	276	…	20,975	1,631
Republic of Moldova	2,899	262	3,917	*3,917*	412	3,505	45.9	1,039	717	436.6	9,874	6,812
Russian Federation	184,365	34,103	248,921	*248,921*	33,243	215,678	64.9	1,053	…	485.9	7,884	…
Tajikistan	...	...	…	…	...	...	…	…	…	…	…	…
Turkmenistan	1,903	…	2,813	*2,813*	593	2,220	…	…	…	…	…	…
Ukraine	34,488	2,865	43,898	*43,898*	5,982	37,916	32.5	1,224	222	238.5	8,984	1,632
Uzbekistan	...	…	…	…	...	…	…	…	…	…	…	…
CIS (12) Total**	**252,001**	**40,712**	**338,674**	**338,674**	**46,485**	**292,189**						
CIS (12) Total**							**50.4**	**1,130**	**256**	**367.4**	**8,236**	**1,844**
Andorra	91	5	137	*137*	5	132	16.7	79	…	456.7	2,154	…
Iceland	1,007	42	1,514	*1,514*	29	1,485	2.2	150	13	116.7	7,846	664
Israel	18,490	299	38,204	*38,204*	525	37,679	31.1	263	14	2,260.2	19,121	1,006
Liechtenstein	...	…	…	…	...	...	…	…	…	…	…	…
Monaco	...	…	…	…	...	...	…	…	…	…	…	…
Norway	8,724	…	12,705	*12,705*	310	12,395	3.4	139	9	138.0	5,681	369
San Marino	…	…	…	…	…	…	…	…	…	…	…	…
Switzerland	23,647	2,506	30,287	*30,287*	513	29,774	7.1	103	10	417.2	6,110	573
Other Europe (8) Total**	**51,959**	**2,852**	**82,847**	**82,847**	**1,382**	**81,465**						
Other Europe (8) Average							**7.1**	**146**	**11**	**424.3**	**8,739**	**649**
Canada	159,658	…	230,898	*230,898*	2,930	227,968	3.3	129	9	260.8	10,138	731
United States	1,967,491	…	2,969,005	*2,969,005*	43,005	2,926,000	6.8	163	…	472.5	11,235	…
North America (2) Total**	**2,127,149**	**…**	**3,199,903**	**3,199,903**	**45,935**	**3,153,968**						
North America (2) Average							**6.4**	**160**	**…**	**446.3**	**11,148**	**…**
UNECE (55) Total**	**3,945,597**	**145,865**	**5,707,247**	**5,642,141**	**151,559**	**5,555,582**						
UNECE (55) Average							**10.9**	**241**	**17**	**410.5**	**9,090**	**650**

Source: UNECE Transport Division
Data for previous year

* The former Yugoslav Republic of Macedonia
** Sum of available data

Figure 36. People killed per million vehicles in the UNECE region



Addressing transport challenges and security threats

Addressing these difficult and varied challenges successfully requires the development and implementation of appropriate measures. It is important that these measures are internationally harmonized and, in particular, that the transport facilitation measures are well balanced with the required security procedures and controls.

The UNECE members have over the years elaborated a comprehensive set of facilitation and security measures, which provide adequate solutions to the above-mentioned challenges, obstacles, threats and concerns. In view of the importance of their effective implementation by all governments, they have decided to incorporate them into international legally binding agreements and conventions. Other measures that were considered less important or on which no consensus could be achieved are developed in the form of resolutions, recommendations and guidelines.

This set of rules and regulations, norms and standards is constantly kept up to date by intergovernmental bodies, specialized in the various relevant infrastructural and regulatory issues, with the participation of the non-governmental organizations representing the transport industry, the transport equipment industry, the chemical and other industries, users and consumers.

Legally binding for the countries that become contracting parties to them, following well-established UN legal procedures, and constantly updated and brought in line with the relevant EU legislation, the agreements and conventions on transport that have been developed by the UNECE members are major, strategic tools for development, integration and security in the UNECE region. Applied also by many other countries worldwide, they are a major legacy to the whole international community.

The agreements and conventions developed by the UNECE members establish pan-European transport networks, simplified and secure border procedures, rules for safe and secure road traffic, regulations for safe, environmentally sound and anti-theft protected vehicles, regulations for safe carriage of dangerous goods and other regulations that facilitate international transport while providing a high level of safety, environmental protection and security in transport, including international transport.

Appendix contains a summary description of the most important UNECE transport agreements and conventions and lists 55 agreements and conventions in the field of transport that have been prepared under the auspices of the UNECE as well as the countries that are contracting parties to them.

Developing coherent pan-European Transport Networks

The UNECE members have a long-standing experience and expertise in the development of coherent international transport networks in Europe. They have developed four main agreements that aim at the development of coherent networks for road, rail, inland water and combined transport respectively. Constantly kept up to date, these infrastructure agreements are the only Pan-European governmental basis for the long-term development of coherent international networks for the various modes of inland transport. As such, they were taken as a basis for the determination of the Pan-European transport corridors at the Pan-European Transport Conferences in Crete and Helsinki. Incorporating the main roads and rail lines planned for the Eastern parts of the Russian Federation and for the Caucasus and Central Asian countries, the E road and the E rail networks represent the most useful basis for the identification of priority Euro-Asian transport corridors. The E road network, in particular, is a major visible deliverable. Although legally binding for countries that become parties to them, the UNECE infrastructure agreements give governments ample latitude for implementation. In particular, they establish neither deadlines nor priorities. The UNECE has no mandate to enforce such implementation.

The UNECE members provide every year statistical data on their road, rail and inland water transport networks. These data include for each UNECE member country the length of the transport networks for each mode of inland transport, including motorways and other roads, double-track and single-track rail lines, electrified rail lines as well as a large number of other transport data. In addition, every five years, the UNECE governments provide more detailed data on the implementation of the networks and traffic flows data on the E road network. The results of the monitoring exercises carried out in 2000 are contained in publications of the 2000 E-Road Traffic Census as well as of the inventory of existing standards and parameters on AGTC and AGC networks (Yellow Book) and on the AGN network (Blue Book). In 2005, another E-road Traffic Census and, for the first time, an E-Rail Traffic Census are being carried out. Additional resources would be required for a more frequent monitoring and analysis of the implementation of these instruments as well as of those aimed at removing the administrative and regulatory obstacles for the uninterrupted operation of corridors and networks.

A number of Central, Eastern and South-eastern European governments cooperate in the framework of the UNECE Trans-European North-South Motorway (TEM) and the Trans-European Railway (TER) Projects with a view to the coordinated development of their international road, rail and combined transport networks. The legal basis of each project is a UN Trust Fund Cooperation Agreement signed by the participating countries. Both projects are financed mainly through in cash and in-kind contributions from participating countries. Decisions in each project are taken by a steering committee composed of participating countries. Both projects have recently been increasingly focusing on Corridor related activities, including providing secretariat functions to Pan- European Corridor VI. They are also cooperating with each other in order to explore further possibilities for developing combined transport in the region.

As many as 21 Central, Eastern and South-eastern European countries have recently undertaken the elaboration of the TEM and TER Master Plan, including the identification of the backbone networks for road and rail transport in those countries and a realistic investment strategy to gradually develop these networks. This has also included the evaluation and prioritization of as many as 491 projects (319 TEM and 172 TER) with an aggregate estimated cost of €101 billion of which, €49.5 billion for TEM and €51.5 billion for TER. These results have taken duly into account alternative scenarios of growth, bottlenecks and missing links as well as other priority infrastructure needs, and financing problems. The TEM and TER Master Plan will provide an important input to the EU High Level Group No. 2 and to the Euro-Asian Transport Links development process. The results of the TEM and TER Master Plan will be made available soon following their endorsement by the Projects' Steering Committees. Implementation of the TEM and TER Master Plan would be among the most important tasks of the TEM and TER Projects in future.

Developing Euro-Asian transport links

In 1995, soon after countries in Central Asia and the Caucasus became UNECE Member States, the UNECE Inland Transport Committee decided to include their international transport networks in the E transport networks. The extension of the E road and of the E rail networks was completed in 2000 and 2001 respectively. The extension of the E combined transport network is under way.

The development of Euro-Asian land Transport Links (EATL) is largely viewed as an extension of the Pan-European Transport Corridors further to the east. With this perspective in mind, governments of 18 countries in the Euro-Asian region have been invited to participate in a UN Development Account Project aimed at the development of Euro-Asian transport links. These countries are: Afghanistan, Armenia, Azerbaijan, Belarus, Bulgaria, China, Georgia, Iran, Kazakhstan, Kyrgyzstan, the Republic of Moldova, Romania, Russian Federation, Tajikistan, Turkmenistan, Turkey, Ukraine and Uzbekistan. With the joint support of the UNECE and the UN Regional Commission for Asia and the Pacific (UNESCAP), two Expert Group Meetings were organized, one in Almaty (Kazakhstan) in March 2004 and the other in Odessa (Ukraine) in November 2004. At these meetings government representatives from those countries agreed on the main road and rail transport routes connecting Europe and Asia to be considered for priority development. They also agreed on the need for the identification of main transshipment points, for the identification and analysis of border crossing obstacles along these routes and for the evaluation and prioritization of infrastructure projects along the selected routes. In addition, they agreed to cooperate on the completion of a Geographic Information System (GIS) database concerning routes and projects. However, it is expected that the Project will be concluded in 2006. A new joint UNECE-UNESCAP project that would ensure the uninterrupted continuation of these activities after that date is considered essential.

Addressing security threats, border crossings

International transport in UNECE member countries faces a large number of non-physical obstacles, including long and cumbersome border procedures and security threats. Removing those obstacles and at the same time addressing adequately these threats has been a constant area of attention of the UNECE member governments. Following the September 11 attacks, UNECE members focused attention on security threats to international transport. As a result, the governments initiated a review of transport security in the UNECE context by considering all their transport activities with a view to identifying existing areas of work where additional transport security measures could be initiated and new areas where joint work of UNECE members would enhance transport security.

In this context it was realized that many of the UNECE legal instruments contains provisions, in particular safety provisions that also have an element of transport security enhancement, e.g. in the fields of dangerous goods, international transit transport, security policy at borders, safety and security in tunnels. In addition, UNECE members have agreed on new security related measures, in particular, in the field of transport of dangerous goods. UNECE members continue to focus attention on the issue and have agreed to organize a Round Table on Transport and Security in the UNECE context in February 2006 with a view to identifying possible security gaps in the UNECE transport regulations and determining whether further security work should be carried out to fill those gaps. In this context governments have emphasized that enhancing security in transport should be closely linked to transport facilitation.

With regard to border crossings, the objective of UNECE members has always been to overcome unnecessary delays at borders through simplification and harmonization of procedures and controls while making them efficient and secure. In this context, the Customs Convention on the International Transport of Goods under Cover of TIR Carnets (TIR Convention), of 1975, provides simplified, secure border crossing and transit procedures for goods transported by road vehicles or containers across one or more borders. This is accomplished through the use of harmonized control procedures, documents and approval procedures for operators and vehicles as well as the establishment of an internationally accepted guarantee system. While facilitating border crossings, the TIR system provides a high level of security in international road transport. Access to the TIR system is subject to strict rules for associations of transport operators and for transport operators themselves. Printed with a large number of security features, the TIR Carnets are difficult to be falsified. And an electronic control system providing customs authorities with useful information on the use of TIR Carnets has been introduced in the TIR Convention.

UNECE members have also focused attention on the harmonization and integration of border management procedures and controls. This has been accomplished through the International Convention on the Harmonization of Frontier Controls of Goods, of 1982, which provides a framework for national authorities to establish integrated control procedures and authorities in neighbouring countries to establish harmonized control procedures and even, in some case, joint control stations. Such integrated border management procedures result in reduction of repetitive controls and increased efficiency for both the control authorities and operators.

Harmonizing transport regulations, addressing safety and environmental concerns

30. The UNECE members have a long experience and expertise developing transport rules and regulations that can be applied in all member countries and that address in a harmonized manner all regulations that are necessary for the uninterrupted functioning of transport services in the UNECE region, as well as for ensuring a high level of safety and environmental protection in transport. In these areas also, the UNECE governments have developed and keep constantly up to date a set of norms and standards, rules and regulations that cover all transport components, including safety and emissions of motor vehicles, road traffic rules, including issuance of driving permits, road signs and signals and transport of dangerous goods.

Conclusions and recommendations

Inadequate, incoherent and not interoperable networks as well as long and cumbersome border procedures, security threats, heterogeneous transport regulations, high rates of road accidents and air pollution may be obstacles to international transport and trade, and, therefore, to the economic and social development of countries. Addressing these challenges properly is of utmost importance for security and development in the UNECE region. In particular, ensuring the right balance between the need for facilitating international transport and trade, on the one hand, and the need for providing adequate security is crucial.

OSCE and UNECE member countries would greatly benefit from implementing fully and effectively the UNECE agreements and conventions on transport and from participating actively in UNECE transport cooperation activities like the TEM and TER and Euro-Asian transport links projects.

V. Information flows

The Internet is a powerful and continually evolving communication tool that has played an important role in furthering linkages between individuals. Its constantly increasing access has significantly augmented the process of economic, social and cultural integration through the free exchange and flow of information, ideas and economic transactions. The Internet is also potentially a truly integrating entity since it is void of the usually considerable impediments to integration such as border controls and large geographical distances.

Blogs' importance grows

A blog ("web log") is a personal journal of comments and opinions on any subject made available to everyone on the Internet. Blogs are one of the fastest growing forms of global communication. Most of the more than four million blogs worldwide are small and used for informal communication, but some have potential to be a significant source of information (e.g. a resident who described conditions in Baghdad before the start of the war in Iraq). Blogs with web hyperlinks create communities with common interests. In this way, blogs create an informal network of information sources outside the existing channels. As a result, blogs have capacity to transfer publishing power to the people and this could have serious democratic and commercial implications. Source: Based on Science/Technology: Blogs' importance grows, *Oxford Analytica*, 30 March 2005.

The importance of the Internet and other information and communication technologies has been recognized by world leaders in the context of initiating the work on creation of the Information Society.

World Summit on the Information Society[118]

The digital revolution in information and communication technologies (ICT) has created the platform for a free flow of information, ideas and knowledge across the globe. Recognizing the importance of this revolution as a means of shaping the future of the world, world leaders decided that a global dialogue was needed to build the framework of an Information Society. The Declaration of Principles, entitled "Building the Information Society: A Global Challenge in the New Millennium" was adopted on 12 December 2003. It lays the principles on which the emerging Information Society will be founded. In the Declaration, the world leaders:

- Committed to building an Information Society, where everyone can create, access, utilize and share information and knowledge.

- Reaffirmed that everyone has the right to freedom of opinion and expression; that this right includes freedom to hold opinions without interference and to seek, receive and impart information and ideas through any media and regardless of frontiers.

- Stated that communication is a fundamental social process, a basic human need and the foundation of all social organization. Everyone, everywhere should have the opportunity to participate and no one should be excluded.

[118] Adopted from the World Summit on the Information Society website, available at www.itu.int/wsis/index.html.

• Stated that the rule of law, accompanied by a supportive, transparent, pro-competitive, technologically neutral and predictable policy and regulatory framework reflecting national realities, is essential for building an Information Society. Governments should intervene, as appropriate, to correct market failures, to maintain fair competition, to attract investment, to enhance the development of the ICT infrastructure and applications, to maximize economic and social benefits, and to serve national priorities.

• Strongly urged States to take steps with a view to avoid any unilateral measure not in accordance with international law and the Charter of the United Nations that impedes the full achievement of economic and social development by the population of the affected countries, and that hinders the well-being of their population.

Similarly, the OSCE participating States have agreed to the importance of the free flow of information at the Charter for European Security:

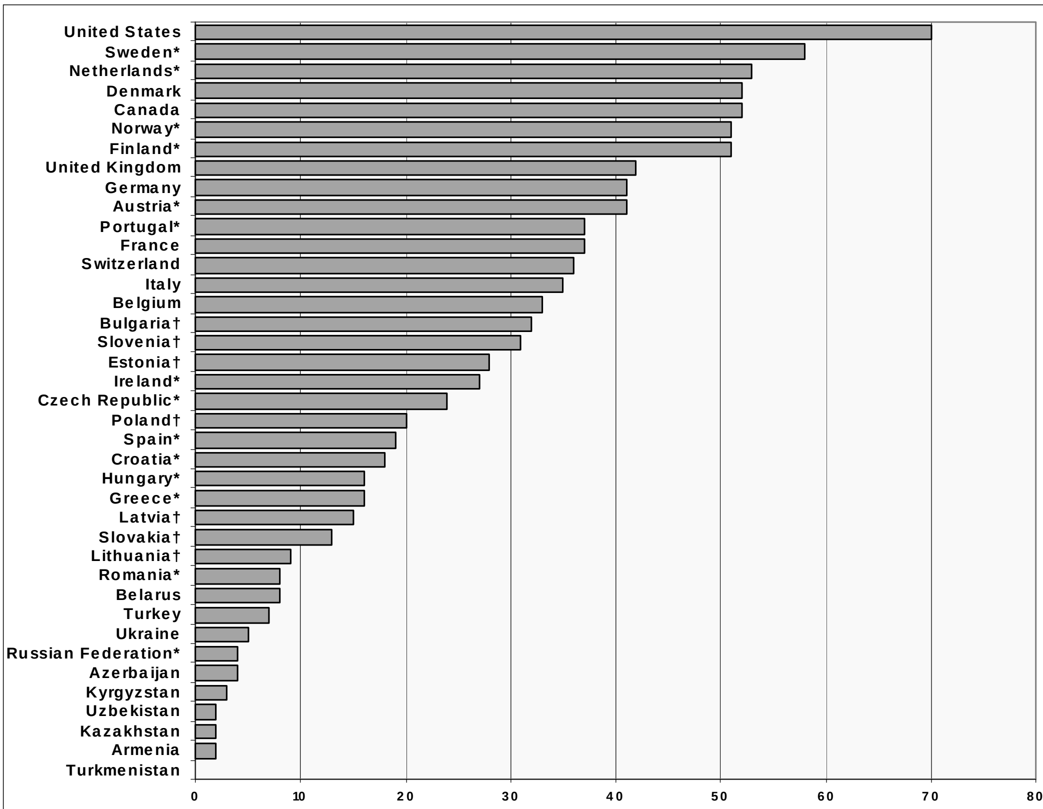
The participating States reaffirm the importance of independent media and the free flow of information as well as the public's access to information. They commit themselves to take all necessary steps to ensure the basic conditions for free and independent media and unimpeded transborder and intra-State flow of information, which they consider to be an essential component of any democratic, free and open society.

In the context of integration, some assessment of information and communication technologies and related flows across borders is required. This is so because only when countries have established an affordable, high-quality and unencumbered Internet network will integration between countries be fully realized. A simple way of gauging the progress in this area is to estimate the number of Internet users as a percentage of population.

As shown in Figure 37 below, the results vary widely across the UNECE area. Highly developed western European economies are placed at the top of the ranking. These countries have typically high per capita incomes and a well-developed digital infrastructure where the intensive Internet use is facilitated by low access and service charges (€11-15 per 20 hours of connection).[119] The North American countries are also among the countries with very high Internet use. The Internet started in the United States, which seems to have given the country an early-start advantage. Canada, as its close neighbour, has shared this advantage. In both of these countries, due to competitive environment, the cheapest Internet linkage (€10-12 for 20 hours of connection) is provided. Moreover, in North America, network security for access and transactions is of high priority for both private service providers and governments further supporting the Internet use.

[119] Reporters sans frontiers (RSF) available at www.rsf.org/rubrique.php3?id_rubrique=433.

Figure 37: Internet users as a percentage of population



Sources: Internet Under Surveillance Report, *2004 Reporters sans frontières (RSF)* available at www.rsf.org. Data for other UNECE countries are not available.
* International Telecommunications Union (ITU) database. Values for 2002.
† 2002-2003 Information Economy Report, United Nations Economic Commission for Europe. Values for countries range from 2001-2002.

Overall, the countries with the greatest number of Internet users as a share of population are technologically advanced and have a well-developed infrastructure that matches the needs of high-income customers. In their economies, prices are affordable via competitive supply conditions and service quality is high through the provision of fast and reliable access. Nevertheless, in many countries where the Internet is a popular tool, governments made substantial effort to pass domestic laws to monitor the Internet use (Figure 38). In principle, these laws may be expected to discourage the use of the Internet. Many governments have put this issue on the agenda of multilateral fora where there is general agreement towards the introduction of some restrictive measures to prevent the Internet from being used for facilitation of illegal activities such as terrorism, organized crime, money laundering and sex offences.[120]

[120] In 2002, the United Nations expressed "concern that these technologies and means can potentially be used for purposes that are inconsistent with the objectives of maintaining international stability and security …" and considered "that it is necessary to prevent the use of information resources or technologies for criminal or terrorist purposes". United Nations General Assembly, Resolution adopted by the General Assembly, A/RES/57/53, 30 December 2002. More recently, in December 2004, the Ministerial Council of OSCE decided that "States will exchange information on the use of the Internet for terrorist purposes and identify possible strategies to combat this threat, while ensuring

Figure 38: Domestic laws to monitor the Internet

Country	Recent Legislation	Main features
Azerbaijan		Internet falls under the responsibility of the national security ministry.
Belarus		Internet is monitored by the telecommunications ministry.
Belgium	Law on retention of Internet connection data, 2001 (before 11 September)	Retention of data extended to one year.
		It is allowed to monitor broadband traffic with court order.
Canada	Anti-terrorist law, December 2001	Electronic surveillance of criminal organizations made easier. Interception of private communications of foreigners made possible in the areas/activities defined by the defence minister.
Denmark	Anti-terrorist law, May 2002	Extended minimum time for data retention to one year. Allowed police to look at material of serious crimes with court permission and to install ISP servers software to record keystrokes and intercept e-mail.
France	Law on Everyday Security (LSQ), November 2001	Retention of data on Internet activity and e-mail traffic for at least one year.
	Law on the Digital Economy (LEN), May 2004	Article 2: ISPs are responsible for the content their customers post online (ISP is obliged to judge its legality and then possibly block access to it).
Germany	July 1996	ISPs are required to give the secret service access to their Internet traffic.
	August 1997	ISPs are responsible for the content of the sites they host.
	G-10 law, 2001	Limits protection of communications, ISPs must give the secret services every facility to monitor or intercept national or international electronic and voice communications.
	Anti-terrorist law, 2001	Police have access to records stored in digital form, including details of services used by customers, e-mail exchanges, data enabling senders or users to be identified and the records of telecommunications firms.
	Commission to protect young people in media matters	Power to order hosts and ISPs to block access to sites.
Italy	Reform of national intelligence services, 2001	Allowed civil and military secret service, carabinieri and regular police to install phone and electronic taps simply with permission from the State prosecutor.
	Protection measure, June 2003	Court can order an ISP to block access to foreign-based servers responsible for repeated and massive spam.
Kazakhstan		Intelligence services monitor ISPs.
	Amendment to the media law, May 2001	Put online publications on the same (restrictive) legal footing as the traditional media.
Russia	Law to ban all forms of extremist activity on the Internet , June 2002	Banned any activity or publication threatening the country's security.
Spain	Internet law (LSSICE), June 2002	Obliges ISPs to retain traffic logs for at least a year. Amendment bars police or intelligence officials from using such data without court permission.
Switzerland	Article 322-b of the Criminal Code, April 1998	Prosecution of anyone who allows the posting of illegal material. If the author cannot be found, the site's host and even the ISP can be blamed.
	Statement, Spring 2000	Enabled the blocking of access to websites.

respect for international human rights obligations and standards, including those concerning the right to privacy and freedom of opinion and expression". OSCE Ministerial Council, MC.DEC/3/04 (Sofia), 7 December 2004.

	Federal law on monitoring postal and telecommunication traffic, January 2002	ISPs are required to retain customers' connection records for six months and to hand them over to the monitoring authorities by court order.
		Unlike France and Italy, Switzerland refuses to order ISPs to carry out routine surveillance of customers' activity.
Turkey	No national law refers specifically to the Internet	The May 2002 law on the National Broadcast Council (RTüK) imposed restrictions on freedom of expression: webpages require approval by the authorities before being posted. Cybercafé owners were ordered in December 2003 to install filters to block access to pornographic websites and to prevent their premises from being used to promote gambling, pornography and political separatism.
Turkmenistan		The media is controlled by the president's office.
Ukraine	Setup of Internet department, January 2001	Aims at monitoring false news about Ukraine.
	Government decree, February 2001	Puts the State Centre for Information Security under the secret police (SBU).
United Kingdom	Regulation of Investigatory Powers Act, June 2000	Allows monitoring of all Internet activities by the security service as a means to fight cyber-crime.
	Terrorism Act, December 2001	Data retention by ISPs was extended to at least one year. The interior ministry monitors online financial transactions and private e-mail messages. Police no longer has to get prior court permission to act (approval from the home secretary or a senior ministry official will suffice).
United States	Combating Terrorism Act, 13 September 2001	Allows intelligence services to use "Carnivore" to record and store all messages sent or received by ISP customers exceeding the bounds of normal surveillance without having to seek court approval.
	USA Patriot Act, October 2001	Legalized monitoring of Internet data, confirmed the authority already given to the FBI to monitor e-mail messages by using "Carnivore" with only the permission of a special secret court.
	Homeland Security Act, November 2002	Allows ISPs to disclose the content of their customers' messages at the request of federal or local officials.
		In November 2003, the FBI obtained the power to gather information on Internet users to initiate online surveillance on the basis of a priori suspicion.
Uzbekistan	Freedom of information law, February 2003	Restricts news put out by all media. Freedom to inform the public can be restricted to "protect the moral values of society, national security and the country's spiritual, cultural and scientific potential".

Source: Reporters sans frontières, Internet under Surveillance, 2004, Obstacles to the Free Flow of Information, available at www.rsf.org.

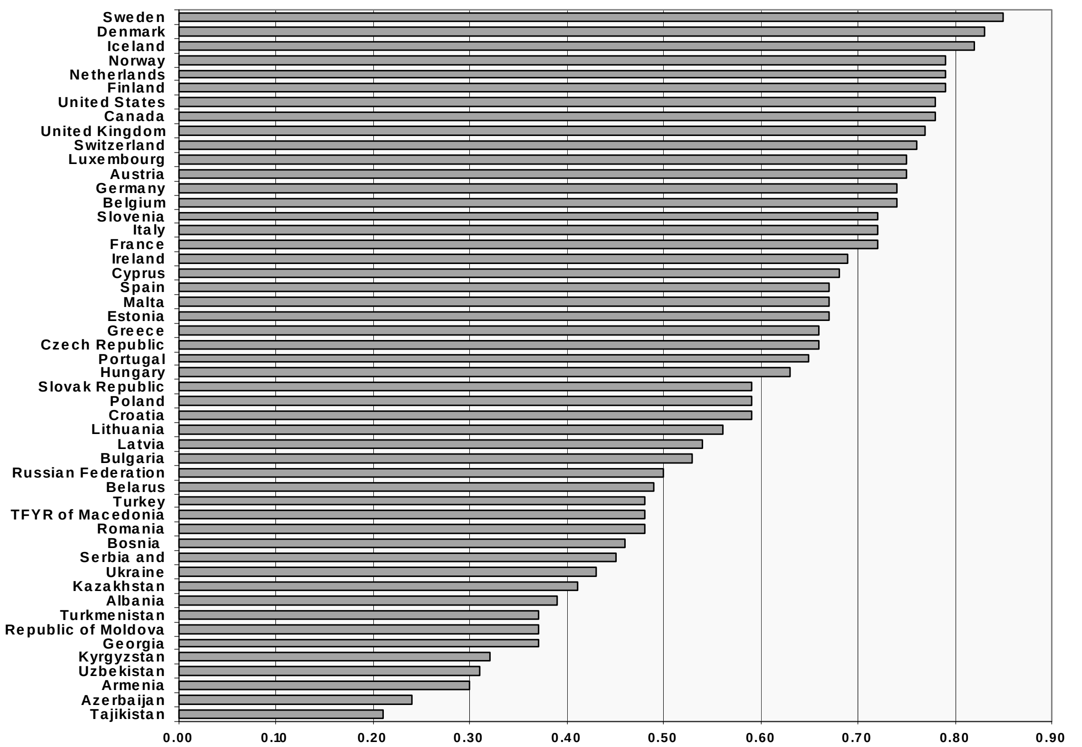
In contrast to the economies featuring high per capita incomes and a well developed digital infrastructure, individuals living in some of the less wealthy countries such as the former Soviet Union, Turkey and Romania are least likely to be Internet users. In some cases, such as Armenia, Azerbaijan and Kazakhstan, Internet costs – relative to incomes – are extraordinarily high. In Ukraine, Uzbekistan and Kyrgyzstan access costs in absolute terms are as low as in the United States and Canada but for various reasons the demand for the Internet is low.[121] In many of these countries, digital infrastructure is lacking.

[121] For example, in Kyrgyzstan, Kyrgyztelecom, a highly indebted State monopoly, is in dispute with the country's ISPs over the cost of Internet access and also the use of the Internet to make cheap phone calls, which is very popular for calling abroad. The firm is trying to stop this practice, which deprives it of revenue, and has blocked ISP access in cybercafés that offer the service. For more see www.rsf.org.

It is not impossible, however, to catch up. Some countries – previously considered to be technological laggards - are making progress in closing the digital gap. Estonia, for example, is making great strides to improve. Its government has prioritized information technology development and increased its public sector IT-related expenditure. More than 730 mostly free public access Internet terminals throughout Estonia were recently installed.[122] The country's example shows that the promotion of Internet benefits may come with governmental assistance, especially through ensuring education opportunities.

Another – more comprehensive – way to indicate the ability of individuals to access and use information and communication technologies is by constructing and analyzing the Digital Access Index (DAI). In addition to incorporating the data on the use of Internet, this index also takes into account the availability of infrastructure, affordability of access, educational level and quality of ICT services (Figure 39)**.**[123]

Figure 39: Digital Access Index, 2002



Source: 2002 International Telecommunications, Digital Access Index, Union available at www.itu.int/ITU D/ict/dai.

[1] The DAI (Digital Access Index) ranges from 0 (access) to 1 (complete access). It has been devised by the International Telecommunications Union to measure the access of a country's inhabitants to information and communication technology. For further information see Appendix.

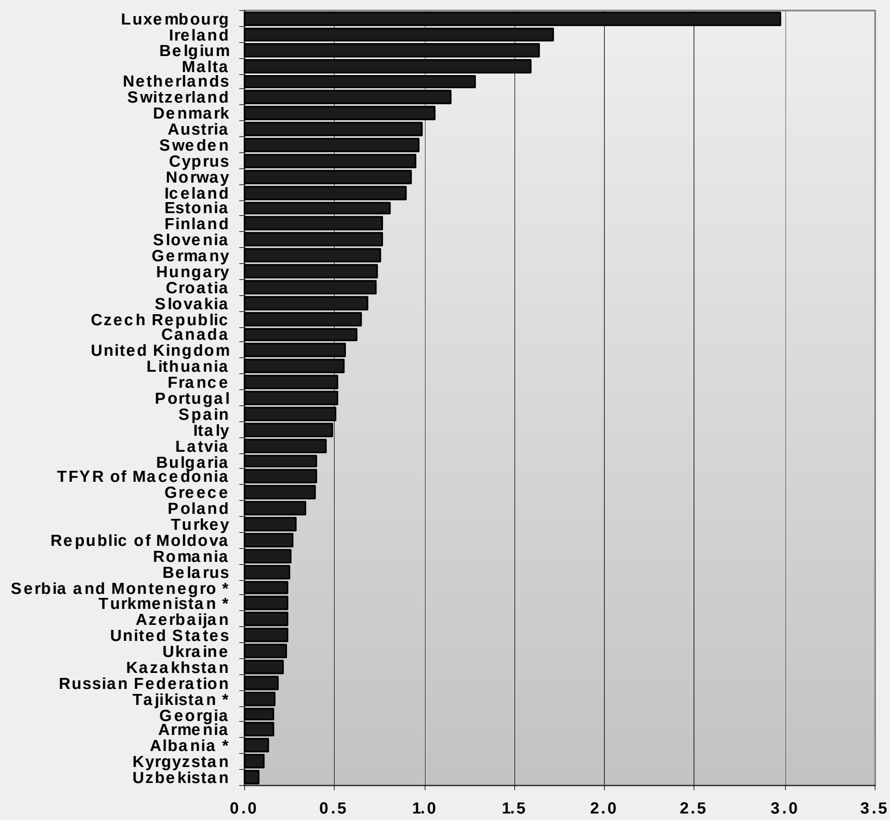
[122] "Estonia Leapfrogs Over Many Western Economies in Its Use of Technology", *The Wall Street Journal Europe*, 28-30 January 2005.

[123] For a detailed description of the DAI see Appendix.

In comparison with Figure 37 some minor changes appear, but the overall rating does not change significantly. Notably, among the countries with the highest access to Internet, the United States moves down ranking. (This is due to a low score on international bandwidth per capita in the United States because the extensive domestic content diminishes the need to access overseas sites.) The Nordic countries score high because of their well-developed infrastructure and the high prevailing level of education. The countries scoring between 0.5 and 0.69 are characterized by the high level of infrastructure availability offset by a low score for affordability. Typically the middle-access economies (the DAI between 0.3 and 0.49) have problems with infrastructure. The economies with low-access to the ICT services tend to be the poorest and generally have relatively high Internet access prices. Unless prices are substantially reduced, no significant increase in Internet's use is expected. A positive factor in these countries is the relatively high level of literacy and school enrolment, which suggests significant potential.

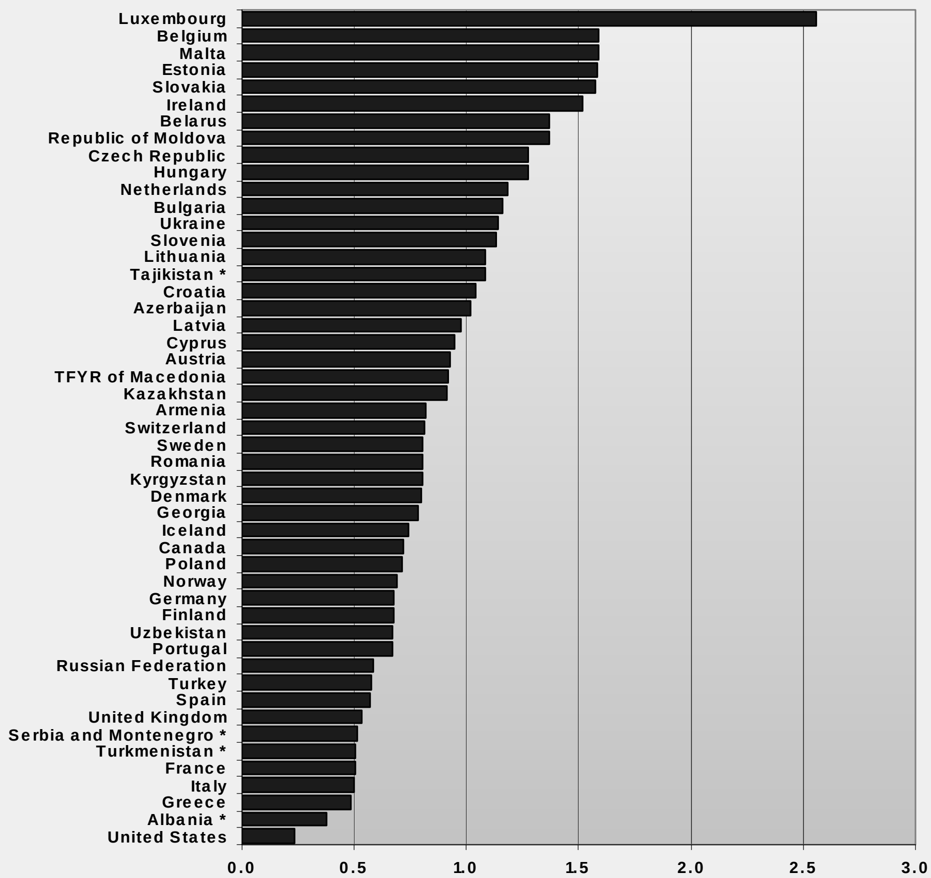
VI. Appendix

Openness Ratios, 2003
Exports and Imports as a per cent of GDP at current exchange rates



Source : UNECE Statistical Division Database.

Openness Ratios, 2003
Exports and Imports as a per cent of GDP at Purchasing Power Parity



Source : UNECE Statistical Division Database.

Note : Data for Albania, Serbia and Montenegro, Tajikistan and Turkmenistan indicate ratios for imports and exports of goods only to GDP at PPP.

Regional agreements among UNECE countries.

Acronym	Characteristics	Membership
EU12	Monetary Union	Austria, Belgium, Finland, France, Germany, Greece, Italy, Ireland, Luxemburg, the Netherlands, Portugal, Spain.
EU25	Economic Union	EU12 and Denmark, Sweden, United Kingdom and Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, Slovenia.
EFTA European Free Trade Area	FTA	Liechtenstein, Iceland, Norway, Switzerland.
EEA European Economic Area	FTA	EU15 and EFTA.
CEFTA Central European Free Trade Area	FTA	Bulgaria, Croatia and Romania.
SAA *Stabilization and Association Agreements*	Working towards FTA	Between the EU and SEE countries.
NAFTA North Atlantic Free Trade Area	FTA	Canada, Mexico and The United States of America
EEC Eurasian Economic Community	Working towards Customs Union	Belarus, Kazakhstan , Kyrgyzstan, Russia, Tajikistan.
BSEC Black Sea Economic Cooperation Organization	RA	Armenia, Azerbaijan, Georgia, Republic of Moldova, Russia, Ukraine
CAEU The Central Asian Economic Union	RA	Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan,
CAM Agreement on the Common Agrarian Market	RA	Armenia, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Republic of Moldova, Russian Federation, Tajikistan, Ukraine, Uzbekistan
CIS Commonwealth of Independent States	RA	Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Republic of Moldova, Russian Federation, Tajikistan, Turkmenistan, Ukraine, Uzbekistan
ECO Economic Cooperation Organization	RA	Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan
Shanghai Cooperation Organization	RA	Kazakhstan, Kyrgyzstan, Russian Federation, Tajikistan, Uzbekistan.
EMAA Euro-Mediterranean Association Agreement	FTA	Agreement between the EU and Israel
Other Agreements	BTA	EU and Canada
	BTA	EU and USA
	FTA	Turkey and the EFTA
	FTA	Israel with United States, Canada, EU, the EFTA countries

FTA – Free Trade Area; RA – Regional Agreement;
BTA – Bilateral Trade Agreements; SEE – Albania, Bosnia and Herzegovina, Croatia, Former Yugoslav Republic of Macedonia, Serbia and Montenegro;

List of beneficiaries of main GSP schemes

	Canada	EU	USA
CIS			
Armenia	GSP	GSP	GSP
Azerbaijan	GSP	GSP	None
Belarus	GSP	GSP	None
Georgia	GSP	GSP	GSP
Kazakhstan	GSP	GSP	GSP
Kyrgyz Republic	GSP	GSP	GSP
Republic of Moldova	GSP	GSP	GSP
Russian Federation	GSP	GSP	GSP
Tajikistan	GSP	GSP	None
Turkmenistan	GSP	GSP	None
Ukraine	GSP	GSP	None
Uzbekistan	GSP	GSP	GSP
SEE			
Albania	none	SAA	GSP
Bosnia and Herzegovina	GSP	SAA	GSP
Croatia	GSP	SAA	GSP
Serbia and Montenegro	none	SAA	None
TFYR Macedonia	GSP	SAA	GSP
Accession countries to EU			
Bulgaria	GSP	BTA	GSP
Romania	GSP	BTA	GSP
EFTA			
Iceland	FTA	EFTA	None
Norway	FTA	EFTA	None
Switzerland	FTA	EFTA	None
NAFTA			
United States	NAFTA	BTA	
Canada		BTA	NAFTA
European Community	BA		BA

GSP – sectors not included in GSP: fishery products, steel and iron.
SAA – on the basis of Stabilisation and Association Agreements.
BTA – Bilateral Trade Agreements.

In Bulgaria and Romania, the bilateral trade relations are guided by the Europe Agreements. The Agreements aim to progressively establish a free-trade area between the EU and the two countries, on the basis of reciprocity but in an asymmetric manner. Liberalization is to be implemented more rapidly by the EU than by the two countries. Currently, over 95 per cent of both countries' trade with the EU is conducted freely, while a few agricultural and processed agricultural products remain subject to customs duties on both sides.

Sources: Custom Tariff, Departmental Consolidation, 2005, available at www.cbsa-asfc.gc.ca/general/ publications/tariff2005/01-99r4-e.pdf. UNCTAD, *Handbook on the Scheme of the European Community*, UNCTAD/ITCD/TSB/Misc.23/Rev.2 (New York and Geneva), December 2002, available at www.unctad.org/gsp. United State International Trade Commission, Harmonised Tariff Schedule of the United States, 2005, available at hotdocs.usitc.gov/docs/tata/hts/0500HTSA.pdf.

List of terminated free trade agreements between new members of the European Union and third parties

- Central European Free Trade Agreement (Poland, Czech Republic, Slovak Republic, Hungary and Slovenia), WT/REG11
- Estonia – Bulgaria, WT/REG149, terminated on 1 May 2004, Exchange of notes (Estonia: note 8.4/12968 of 30 October 2003)
- Estonia – EFTA, WT/REG28, terminated on 1 May 2004 by Estonia's withdrawal (note 8.4/13334 of 30 October 2003)
- Estonia – Faeroe Islands, WT/REG64, terminated on 1 May 2004 by way of a protocol to the agreement
- Estonia – Turkey, WT/REG70, terminated on 1 May 2004, Exchange of notes (Estonia: Note 8.4/13339 of 7 November 2003)
- Estonia – Ukraine, WT/REG108, terminated on 1 May 2004, Exchange of notes (Estonia: Note 8.4/13338 of 30 October 2003).
- Latvia – Bulgaria, WT/REG151, terminated on 1 May 2004
- Latvia – EFTA, WT/REG29, terminated on 1 May 2004
- Latvia – Turkey, WT/116, terminated on 1 May 2004
- Latvia – Ukraine, terminated on 1 May 2004
- Lithuania – Bulgaria, WT/152, terminated on 1 May 2004 by law passed on 21 October 2003
- Lithuania – Croatia, concluded in 2002, terminated on 1 May 2004
- Lithuania – EFTA, WT/REG30, terminated on 1 May 2004 by law passed on 21 October 2003
- Lithuania – Ukraine, terminated on 1 May 2004 by law passed on 21 October 2003
- Lithuania – Turkey, WT/REG61, terminated on 1 May 2004 by law passed on 21 October 2003
- Poland – EFTA, WT/REG13, terminated on 1 May 2004
- Poland – Faeroe Islands, WT/REG78, no information received from Poland
- Poland – Israel, WT/REG65, terminated on 1 May 2004
- Poland – Turkey, WT/REG107, terminated on 1 May 2004
- Czech Republic – EFTA, WT/REG87, terminated on 1 May 2004
- Czech Republic – Israel, WT/REG56, terminated on 1 May 2004
- Czech Republic – Turkey, WT/REG67, terminated on 1 May 2004
- Slovak Republic – EFTA, WT/REG88, terminated on 1 May 2004
- Slovak Republic – Israel, WT/REG57, terminated on 1 May 2004
- Slovak Republic – Turkey, WT/REG68, terminated on 1 May 2004
- Hungary – EFTA, WT/REG13, terminated on 1 May 2004
- Hungary – Serbia and Montenegro, terminated on 1 May 2004
- Hungary – Israel, WT/REG54, terminated on 1 May 2004
- Hungary – Turkey, WT/REG58, terminated on 1 May 2004
- Slovenia – Bosnia and Herzegovina, WT/REG131, terminated on 1 May 2004
- Slovenia – EFTA, terminated on 1 May 2004
- Slovenia – FYROM, WT/REG36, terminated on 1 May 2004
- Slovenia – Israel, WT/REG66, terminated on 1 May 2004
- Slovenia – Turkey, WT/REG 135, terminated on 1 May 2004

UNECE conventions and agreements in the area of transport

A. UNECE Transport Networks Agreements

The UNECE transport network agreements include: the European Agreement on Main International Traffic Arteries (AGR), done in 1975; the European Agreement on Main International Railway Lines (AGC), done in 1985; the European Agreement on Important International Combined Transport Lines and Related Installations (AGTC), done in 1991; and the European Agreement on Main Inland Waterways of International Importance (AGN), done in 1996. These four international Agreements define respectively the E road, rail, combined and inland water transport networks. They also determine the minimum technical norms and requirements according to which the relevant infrastructures should be built. The AGTC also includes operational parameters for combined transport services. Finally, they establish a well known numbering system, in general following a north-south and east-west grid system.

Although legally binding for countries that become Parties to them, the UNECE infrastructure agreements give Governments ample latitude for implementation. In particular, they establish neither deadlines nor priorities. Nevertheless, constantly kept up to date, these UNECE infrastructure agreements are the only Pan-European governmental basis for the long-term development of coherent international networks for the various modes of inland transport. As such, they were taken as a basis for the determination of the Pan-European transport corridors at the Pan-European Transport Conferences in Crete and Helsinki. Incorporating already the main roads and rail lines planned for the Eastern parts of the Russian Federation and for the Caucasus and Central Asian countries, the E road and the E rail networks represent the most useful basis for the identification of priority Euro-Asian transport corridors. The E road network, in particular, is a major visible reality.

The European Agreement on Main International Traffic Arteries (AGR) provides UNECE Governments with the international legal framework for the construction and development of a coherent international road network with a view to the development of international road transport and traffic throughout the UNECE region. The AGR defines the E road network, consisting of the arteries channelling major international road traffic flows in Europe, and the infrastructure parameters to which those arteries should conform. The AGR is constantly kept under review and updated whenever necessary to adapt it to new political and transport developments, such as the need for new roads in new States or those created by new traffic flows. It underwent a major revision in the early 90’s following the fall of the Iron Curtain in order to take into account the new East-West traffic flows. It has undergone another major revision in recent years in order to also include the international roads of the countries in the Caucasus and Central Asia. States that become Contracting Parties to the AGR commit themselves to its implementation, including the construction or upgrading of the E-roads in their territories, within the framework of their national investment programmes, although they are given complete latitude as to the timing for the completion of construction works. To date, *33 UNECE Member States have become Contracting Parties to the AGR.*

The European Agreement on Main International Railway Lines (AGC) similarly provides the legal and technical framework for the development of a coherent international rail network in the region. The AGC identifies the rail lines of major international importance, the E rail network, and defines the infrastructure parameters to which they should conform. It defines infrastructure parameters for two categories of lines: those already existing and those to be newly constructed. The latter are again divided into lines for goods and passenger traffic and others for passenger traffic only. The AGC is also revised whenever necessary to take account of political and transport changes in Europe. It has undergone a major revision in recent years in order to also include the international rail networks of the Caucasus and Central Asian countries. In becoming Contracting Parties to the AGC, European States commit themselves to its implementation, including the construction or the upgrading of the E-rail lines in their territories, within the framework of their national programmes but without any time constraints. *24 UNECE Member States are Parties to the AGC.*

The European Agreement on Important International Combined Transport Lines and Related Installations (AGTC) provides the technical and legal framework for the development of efficient international combined road/rail transport infrastructure and services. Combined road/rail transport comprises the transport of containers, swap bodies and entire trucks on railway wagons to and from especially equipped terminals. The AGTC determines all important European railway lines used for international combined transport, identifies all terminals, border crossing points, ferry links and other installations important for international combined transport services. It also establishes internationally acceptable infrastructure standards for those lines and related combined transport installations, and prescribes internationally acceptable performance parameters of trains and combined transport installations and equipment. European States who become Contracting Parties to the AGTC, commit themselves to its implementation, including the construction or the upgrading of the railway lines and related combined transport installations in their territories, within the framework of their national programmes but without any time constraints. The AGTC entered into force on 20 October 1993. To date, *26 UNECE Member States have become Parties to the AGCT.*

The European Agreement on Main Inland Waterways of International Importance (AGN) establishes the internationally agreed European network of inland waterways and ports as well as the uniform infrastructure and operational parameters to which they should conform. The geographical scope of the E waterways network, consisting of navigable rivers, canals and coastal routes extends from the Atlantic to the Ural, connecting 37 countries and reaching beyond the European region. By acceding to the AGN, Governments commit themselves to the development and construction of their inland waterways and ports of international importance in accordance with the uniform conditions agreed upon and within their investment programmes. The AGN entered into force on 26 July 1999. To date, *13 UNECE Member States have become Parties to the AGN.*

B. Main UNECE Border-crossing Facilitation Conventions

The Customs Convention on the International Transport of Goods under Cover of TIR Carnets (TIR Convention), of 1975, aims at facilitating the international carriage of goods by road vehicles or containers across one or more borders through a simplified border crossing procedure and an international guarantee chain. The TIR Convention sets up the procedure that permits the international carriage of goods by road vehicles or containers from one Customs office of departure to a Customs office of arrival, through as many countries as necessary, without intermediate check of the goods carried and without the deposit of a financial guarantee at each border. The procedure includes the use of secure vehicles or containers that have to be approved by authorities according to standards prescribed in the Convention in order for them to be used for TIR operations. The procedure also includes an international guarantee chain, set up under the Convention, to cover duties and taxes at risk throughout the journey and whereby in each Party a duly authorized association provides a guarantee towards national competent authorities. In addition, the procedure also includes the use for each vehicle of an international Customs document, the TIR Carnet, which certifies the contents of the cargo as checked at the Customs Office of departure and which is also a guarantee document. The Customs authorities at intermediate borders recognize the TIR Carnets, trust the information contained therein and do not undertake checks unless deemed appropriate for any. Finally, the procedure entails a controlled access to the TIR system and foresees exclusion from the procedure of those operators that misuse it for illegal purposes. An Administrative Committee, composed of all Parties to the TIR Convention, administers the Convention, which is open to all members of the United Nations. Through efficient control procedures and an international guarantee system, the TIR Convention of 1975 permits to avoid physical inspections of goods in transit as well as payment of taxes and duties for the goods en route. It also permits to avoid a national guarantee system and national Customs document and control systems. All this results in minimum procedures and delays at borders and in lower transport costs, which in turn results in lower export and import costs. Contracting Parties at 15 April 2005: *64 States and the European Community*.

The International Convention on the Harmonization of Frontier Controls of Goods, of 1982, aims at facilitating border crossing in international transport of goods through harmonization and reduction of the requirements for completing formalities and the number and duration of border controls. The Convention establishes the procedures for carrying out efficiently all types of controls that may be necessary at borders, including Customs controls, medico-sanitary inspections, veterinary inspections, phytosanitary inspections, controls of compliance with technical standards and quality controls. Procedures largely call for national cooperation and coordination of the various services among them, as well as for international cooperation between the respective border services of the adjacent countries. In this respect, the Convention foresees measures that include joint controls of goods and documents through the provision of shared facilities, same opening hours and same types of services at the same border. These procedures apply to all goods being imported, exported or in transit and to all modes of transport. An Administrative Committee manages the Convention, which is foreseen for global application. By rationalizing and harmonizing the various types of border controls and by laying down guidelines for both national procedures and for cooperation with neighbouring countries, the Convention provides for a reduction in the number and duration of all types of controls. It provides best practices for efficient controls of goods at border crossings. It aims at promoting the one-stop-shop principle for border controls. As a result, the Convention reduces border delays, which results in lower transport costs and, therefore, in lower export and import costs. Contracting Parties at15 April 2005: *43 States and the European Community*.

The Customs Convention on the Temporary Importation of Commercial Road Vehicles, of 1956, facilitates the temporary admission into a country Party to the Convention of commercial road vehicles registered in another country also Party to the Convention without payment of import duties and taxes for the vehicle. The Convention defines the concept of commercial road vehicle and sets up the principle of temporary importation of such vehicles under cover of the international document "Carnet de passage en douane" (CPD). These Carnets guarantee payment of import duties and taxes of the vehicles to national competent authorities if the vehicle that has been temporarily admitted is not re-exported. The CPDs are issued by authorized organizations or associations, which guarantee the payment. The Convention describes the functioning of the temporary importation procedures and the documents to be used as well as claims procedures to be applied when the exportation of vehicles has not been done within the time limits prescribed. The Convention introduces a standardized procedure and provides for an internationally recognized document, which replace national procedures and documents, often different from one country to another. The procedure also avoids the operation of national guarantee systems, as all taxes and duties are covered. In addition, it ensures accurate filling-in by competent authorities and transport operators because of well-established procedures. As a result, the Convention helps minimize procedures and delays at border crossings. Contracting Parties at15 April 2005: *38 States and the European Community*.

The Customs Convention on the Temporary Importation of Private Road Vehicles, of 1954, facilitates the temporary admission into a country Contracting Party to the Convention of private road vehicles registered in another country, also Contracting Party to the Convention, without payment of import duties and taxes for the vehicles. The Convention defines the concept of private road vehicle and establishes the principle of temporary importation of such vehicles under the cover of the international "Carnet de passage en douane" (CPD). These Carnets guarantee payment of import duties and taxes of the vehicles to national competent authorities if the vehicle that has been temporarily admitted is not re-exported. The “Carnets de passage en douane” are issued by authorized organizations or associations, which guarantee the payment. The Convention describes in detail the functioning of the temporary importation procedures and the documents to be used as well as claims procedures to be applied when exportation of vehicles has not been done within the time limits prescribed. The Convention is open to all members of the United Nations. The Convention introduces a standardized procedure and provides for an internationally recognized document, which replace national procedures and documents, often different from one country to another. The procedure also avoids the operation of national guarantee systems, as all taxes and duties are covered. In addition, it ensures accurate filling-in by competent authorities and associations or private vehicle drivers because of well-established procedures. As a result, the Convention helps minimize procedures and delays at border crossings. Contracting Parties at15 April 2005: *76 States and the European Community*.

C. Main Road Safety Conventions

The Convention on Road Traffic, done in Vienna on 8 November 1968, aims at facilitating international road traffic and at increasing road safety through the adoption of uniform road traffic rules. The Convention sets up commonly agreed rules and regulations on all factors influencing international road traffic and its safety, including the driver and the vehicle, with which Contracting Parties must comply and ensure compliance. The Convention establishes that, in general, and without affecting the right of a Contracting Party to make the admission of vehicles in their territory subject to any applicable national law, Contracting Parties shall be bound to admit to their territories in international traffic motor vehicles and drivers that fulfill the conditions laid down in the Convention and to recognize vehicle registration certificates issued by other Contracting Parties. With regard to drivers, the Convention sets up general rules, including that every driver shall at all times be able to control his vehicle (Art. 8) and that every driver of a motor vehicle must hold a driving permit, issued only after verification that he/she possesses the knowledge and skills necessary to drive a vehicle. It also includes all the specific behaviour rules for drivers necessary for safe driving, such as speed and distance between vehicles, priorities at intersections, overtaking and use of lamps. It also set up rules on behaviour towards pedestrians and behaviour in case of accident (Arts. 10 to 34). In addition, the Convention details the basic conditions for the admission of vehicles and drivers in international traffic. These include the obligation for vehicles to be registered by a Contracting Party and to carry a valid certificate of such registration as well as to show the distinguishing sign of the State of registration (Arts. 35 to 40). When a country becomes a Party to the Convention, it must notify the Secretary-General of the distinguishing sign its registered vehicles will use when in international traffic (Article 45). Amendments introducing the prohibition of use of hand-held mobile phones while driving, changes to the driving permit and other measures were adopted in 2003. The benefits of this Convention for countries are obvious. Economic growth and competitiveness increasingly rely on international trade. This is increasingly carried by road. The uniform rules and documents for international road traffic and the recognition by a Contracting Party of the rules applied and official documents issued by another Contracting Party, as provided for by the Vienna Convention on Road Traffic, are crucial for facilitating international road traffic, therefore international transport and trade as well as tourism. In addition, the Convention rules provide for a high level of road traffic safety. Contracting Parties at 15 April 2005: *62 States*.

The Convention on Road Signs and Signals, done in Vienna on 8 November 1968, aims also at facilitating international road traffic and to increase road safety. This Convention sets up a set of commonly agreed road signs and signals. It classifies road signs in three main categories: danger warning, regulatory and informative, and provides for each of them and their subdivisions definitions and physical appearance, including their dimensions, shapes and colours, graphic symbols and norms for ensuring their visibility and legibility. In addition to road signs, the Convention also prescribes common norms for traffic light signals, including non-flashing and flashing lights as well as signals for pedestrians. Moreover, the Convention prescribes uniform conditions for road marking, signs for road works as well as special signals and gates for level crossings. Amendments, including new provisions regarding the legibility of signs, priority at roundabouts and new signs to improve safety in tunnels were adopted in 2003. By establishing uniform or harmonized signs and signals, every road user in international traffic can understand the situations announced by them without misunderstanding and adapt driving behaviour accordingly. This facilitates international road traffic and trade, exports and imports, and makes it more efficient, thereby contributing to development, and at the same time provides great benefits for road safety as it reduces the risk of road accidents. Contracting Parties at 15 April 2005: *52 States.*

D. Main Road Transport Conventions

The Convention on the Contract for the International Carriage of Goods By Road (CMR), done in Geneva on 19 May 1956, facilitates international road transport by providing a common transport contract, including a common consignment note and harmonized liability limits. The CMR fixes the conditions governing the contract for the international carriage of goods by road. It sets up the conditions for the document used, i.e. the consignment note, including the information particulars it shall contain. The CMR also specifies the conditions of the liability of the carrier, including the circumstances under which he cannot be considered liable. In addition, it specifies the compensation limit in case the carrier is liable for the total or partial loss of goods. This limit is established in "gold francs" (Article 23). The carriage has to involve at least two countries, of which one has to be a Contracting Party to the Convention. Contracting Parties to the CMR must ensure that transport operators registered in their countries, when carrying out an international transport, use the consignment note as proof of the transport contract and respect the conditions attached to its use. The provisions of the CMR belong to private law and have no direct implications for the Government. However, in order for transport operators to implement those provisions, they must be included in their national legislation. A new Protocol to the CMR is being considered in order to introduce the use of an electronic consignment note. By providing common transport contract conditions and internationally acceptable liability limits, the CMR helps to maintain fair competition between carriers and limits the costs of international road transport, including insurance costs. Contracting Parties at15 April 2005: *46 States*.

The European Agreement concerning the Work of Crews of Vehicles engaged in International Road Transport (AETR), done on 1 July 1970, aims at preventing drivers and crews of commercial vehicles of more than 3.5 tonnes, or transporting more than 9 people, engaged in international road transport, from driving excessive hours, as this increases the risk of serious road accidents and may create disparities in the working conditions of this category of workers and in the competition conditions of their companies. The AETR regulates the driving and rest periods of those professional drivers. It establishes the maximum allowable driving period in one day and in a two-week period as well as the minimum rest period after 6 consecutive days. It also sets up the rest period in each period of 24 hours, in principle 11 hours. The Agreement also defines the on board control device, the so-called tachograph, that is used to control those periods, and sets up the general provisions as well as all technical requirements for the construction, testing, installation and inspection of the device. Additionally, the AETR also sets up requirements for the checking of driving hours by the competent authorities of Contracting Parties. New minimum requirements for such checking, both at the roadside and at the premises of transport enterprises, have entered into force on 27 February 2004. The AETR is now being amended to introduce a digital tachograph, which cannot be manipulated. By regulating the driving and rest periods of drivers of heavy commercial vehicles engaged in international transport, the AETR creates a level playing field in the road haulage industry in that it stops unfair competition from road transport operators that do not restrict the driving hours of their professional drivers. Additionally, it helps prevent in each country road accidents that may be caused by fatigue of drivers of vehicles, including those registered in another country. These accidents may be all the more serious as vehicles involved are heavy goods vehicles or carry a large number of passengers. Contrary to the current mechanical tachographs, which can be manipulated, the digital tachograph that is being introduced will be tamper proof and will therefore not allow such manipulation. Contracting Parties at 15 April 2005: *43 States*.

E. UNECE Agreement on the Transport of Dangerous Goods by Road

The European Agreement concerning the International Carriage of Dangerous Goods by Road (ADR), done at Geneva on 30 September 1957, aims at ensuring the highest possible level of safety in the transport of dangerous goods at an economically acceptable cost. The ADR identifies the substances and articles that are considered as dangerous goods and that can be admitted in international transport as well as those that cannot be admitted in international transport. For those that can be admitted, the ADR establishes the special conditions under which they can be carried. These include the classification of dangerous according to their specific type of danger (explosives, flammable liquids, flammable gases, corrosive substances, etc.), the packing conditions, labelling, marking, placarding, documentation required, special requirements for tanks including loading, stowage, segregation and unloading. All these requirements are described in detail in Annex A to the ADR. However, there are also other special requirements, which contained in Annex B to the Agreement, and which concern transport operations, driver training as well as vehicle construction and approval, with which the international transport of dangerous goods must also comply. Security provisions have recently been included and will be applicable as from 1 January 2005. Annexes A and B to the ADR are usually amended every two years. While obliging Contracting Parties to accept vehicles coming from other Parties if they comply with the ADR, the Agreement preserves the right of Contracting Parties to prohibit, for reasons other than safety during carriage, the entry of dangerous goods into their territory. Contracting Parties also retain the right to arrange less stringent conditions of international transport on their territories, by special bilateral or multilateral agreements. The ADR is open for accession to all UN member States. Accession to the ADR has no financial implications for countries. However, for exporting countries, it imposes the development of administrative structures for testing and approval of packagings, tanks and vehicles, for driver and dangerous goods safety adviser training and for issuing the corresponding certificates. The ADR provides for a high level of safety and security during international carriage of dangerous goods. It also facilitates transport and trade of such goods resulting from mutual recognition of packaging, tank, vehicle and driver training certificates. Being harmonized with the UN Model Regulations that serve as a basis for all modes of transport and most national regulations at worldwide level also facilitates compliance, enforcement and control. Annexes A and B may be, and actually are, used for also regulating domestic traffic, which is the case in EU countries. Contracting Parties at 15 April 2005: *40 States*.

Summary list of international UNECE transport agreements and conventions

Transport infrastructure

1. Declaration on the Construction of Main International Traffic Arteries, of 16 September 1950
2. European Agreement on Main International Traffic Arteries (AGR), of 15 November 1975
3. European Agreement on Main International Railway Lines (AGC), of 31 May 1985
4. European Agreement on Important International Combined Transport Lines and Related Installations (AGTC), of 1 February 1991
5. Protocol on Combined Transport on Inland Waterways to the European Agreement on Important International Combined Transport Lines and Related Installations (AGTC) of 1991, of 1997
6. European Agreement on Main Inland Waterways of International Importance (AGN), of 19 January 1996

Road traffic and road safety

7. Convention on Road Traffic, of 19 September 1949
8. Convention on Road Traffic, of 8 November 1968
9. Protocol on Road Signs and Signals, of 19 September 1949
10. Convention on Road Signs and Signals, of 8 November 1968
11. European Agreement supplementing the Convention on Road Traffic (1968), of 1 May 1971
12. European Agreement supplementing the Convention on Road Signs and Signals (1968), of 1 May 1971
13. European Agreement on the Application of Article 23 of the 1949 Convention on Road Traffic concerning the Dimensions and Weights of Vehicles Permitted to Travel on Certain Roads of the Contracting Parties, of 16 September 1950
14. European Agreement supplementing the 1949 Convention on Road Traffic and the 1949 Protocol on Road Signs and Signals of 16 September 1950
15. European Agreement on Road Markings, of 13 December 1957
16. Protocol on Road Markings, additional to the European Agreement supplementing the Convention on Road Signs and Signals, of 1 March 1973
17. Agreement on Minimum Requirements for the Issue and Validity of Driving Permits (APC), of 1 April 1975

Road vehicles

18. Agreement concerning the Adoption of Uniform Technical Prescriptions for Wheeled Vehicles, Equipment and Parts which can be fitted and /or be used on Wheeled Vehicles and the Conditions for Reciprocal Recognition of Approvals Granted on the Basis of these Prescriptions, of 20 March 1958
19. Agreement concerning the Adoption of Uniform Conditions for Periodical Technical Inspections of Wheeled Vehicles and the Reciprocal Recognition of Such Inspections, of 13 November 1997
20. Agreement concerning the Establishing of Global Technical Regulations for Wheeled Vehicles, Equipment and Parts which can be fitted and / or be used on Wheeled Vehicles, of 25 June 1998

Other legal instruments related to road transport

(a) Working Conditions

21. European Agreement concerning the Work of Crews of Vehicles engaged in International Road Transport (AETR), of 1 July 1970

(b) Taxation

22. Convention on the Taxation of Road Vehicles for Private use in International Traffic, of 18 May 1956
23. Convention on the Taxation of Road Vehicles engaged in International Passenger Transport,
    of 14 December 1956
24. Convention on the Taxation of Road Vehicles engaged in International Goods Transport, of 14 December 1956

(c) Private Law

25. Convention on the Contract for the International Carriage of Goods by Road (CMR), of 19 May 1956
26. Protocol to the Convention on the Contract for the International Carriage of Goods by Road (CMR), of 5 July 1978
27. Convention on the Contract for the International Carriage of Passengers and Luggage by Road (CVR), of 1 March 1973
28. Protocol to the Convention on the Contract for the International Carriage of Passengers and Luggage by Road (CVR), of 5 July 1978

(d) Economic Regulations

29. General Agreement on Economic Regulations for International Road Transport, of 17 March 1954

Inland Navigation (private law)

30. Convention relating to the Unification of Certain Rules concerning Collisions in Inland Navigation, of 15 March 1960
31. Convention on the Registration of Inland Navigation Vessels, of 25 January 1965
32. Convention on the Measurement of Inland Navigation Vessels, of 15 February 1966
33. Convention relating to the Limitation of the Liability of Owners of Inland Navigation Vessels (CLN), of 1 March 1973
34. Protocol to the Convention relating to the Limitation of the Liability of Owners of Inland Navigation Vessels (CLN), of 5 July 1978
35. Convention on the Contract for the International Carriage of Passengers and Luggage by Inland Waterway (CVN), of 6 February 1976
36. Protocol to the Convention on the Contract for the International Carriage of Passengers and Luggage by Inland Waterways (CVN), of 5 July 1978

Border crossing facilitation

37. Convention concerning Customs Facilities for Touring, signed in New York on 4 June 1954
38. Customs Convention on the Temporary Importation of Private Road Vehicles, signed in New York on 4 June 1954

39. Customs Convention on the International Transport of Goods under Cover of TIR Carnets (TIR Convention), of 15 January 1959
40. Customs Convention on the International Transport of Goods under Cover of TIR Carnets (TIR Convention), of 14 November 1975
41. Customs Convention on the Temporary Importation for Private Use of Aircraft and Pleasure Boats, of 18 May 1956
42. Customs Convention on the Temporary Importation of Commercial Road Vehicles, of 18 May 1956
43. International Convention to Facilitate the Crossing of Frontiers for Passengers and Baggage carried by Rail, of 10 January 1952
44. International Convention to Facilitate the Crossing of Frontiers for Goods Carried by Rail, of 10 January 1952
45. Customs Convention concerning Spare Parts Used for Repairing European Wagons, of 15 January 1958
46. Customs Convention on Containers, of 18 May 1956
47. Customs Convention on Containers, of 2 December 1972
48. European Convention on Customs Treatment of Pallets Used in International Transport, of 9 December 1960
49. International Convention on the Harmonization of Frontier Controls of Goods, 21 October 1982
50. Convention on Customs Treatment of Pool Containers Used in International Transport, of 21 January 1994

Transport of dangerous goods

51. European Agreement concerning the International Carriage of Dangerous Goods by Road (ADR),
    of 30 September 1957
52. Protocol amending article 1 (a), article 14 (1) and article 14 (3) (b) of the European Agreement
    of 30 September 1957 concerning the International Carriage of Dangerous Goods by Road (ADR),
    of 28 October 1993
53. Convention on Civil Liability for Damage caused during Carriage of Dangerous Goods by Road, Rail and Inland Navigation Vessels (CRTD), of 10 October 1989
54. European Agreement Concerning the International Carriage of Dangerous Goods by Inland Waterway (ADN), of 25 May 2000

Transport of perishable foodstuffs

55. Agreement on the International Carriage of Perishable Foodstuffs and on the Special Equipment to be Used for such Carriage (ATP), of 1 September 1970.

UNITED NATIONS
ECONOMIC COMMISSION FOR EUROPE
TRANSPORT DIVISION

UNECE TRANSPORT AGREEMENTS/AND CONVENTIONS

Status at 19 April 2005

	Construction Traffic Arteries, 1950	E Road Network (AGR), 1975	E Rail Network (AGC), 1985	E Comb. Tr. Network (AGTC), 1991	Protocol Inl. Nav. to AGTC, 1997	E Inl. Water Network (AGN), 1996	Road Traffic, 1949	Road Traffic, 1968	Protocol on Road Signs & Signals, 1949	Road Signs & Signals, 1968	Suppl. 1968 Convention Road Traffic, 1971	Suppl.1968 Conv. Road Signs & Signals, 1971	Weights and Dimensions, 1950	Suppl. 1949 Conv. and Protocol, 1950	Road Markings, 1957	Protocol Road Markings, 1973	Issue and Validity of Driving Permits (APC)
	Infrastructure networks						Road traffic and road safety										
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
UNECE EU COUNTRIES																	
Austria	X	S	X	X	S	S	X	X	X	X	X	X		X		X	
Belgium	X	X	X	X			X	X	X	X	X	X	X	X	X	X	
Cyprus							X								X		
Czech Republic	X	X	X	X	X	X	X	X	X	X	X	X			X	X	
Denmark	X	X		X	X		X	X	X	X	X	X				X	
Estonia								X		X	X	X					
Finland	X	X		S		S	X	X	X	X	X	X				X	
France	X	X	X	X	S	S	X	X	X	X	X	X		X	X		
Germany	X	X	X	X	S	S		X		X	X	X			X	X	
Greece	X	X	X	X	S	S	X	X	X	X	X	X	X	X		X	
Hungary	X	X	X	X	S	X	X	X	X	X	X	X		X	X	X	
Ireland	X						X										
Italy	X	X	X	X	S	X	X	X	X	X	X	X	X	X	S	X	
Latvia		X						X		X	X	X					
Lithuania		X	X			X		X		X	X	X					
Luxembourg	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Malta							X										
Netherlands	X	X		X	X	X	X		X				X	X	S		
Poland	X	X	X	X			X	X	X	X	X	X		X		X	
Portugal	X	X	S	X	S		X	S	X	S					X		
Slovakia	X	X	X	X	S	X	X	X	X	X	X	X			X	X	
Slovenia	X	X	X	X				X			X						
Spain	X						X	S	X	S				X	X		
Sweden	X	X					X	X	X	X	X	X				X	
United Kingdom	X	S					X	S	X	S	S	S		X	S		
EUROPEAN COMMUNITY																	

	Vehicles Regulations, 1958	Techn. Inspect. Vehicles, 1997	Global Vehicles Regulations , 1998	Work of Crews Int. Road Transport (AETR), 1970	Taxation Priv. Road Vehic., 1956	Taxation Road Passenger Vehic., 1956	Taxation Road Goods. Vehic., 1956	Contract Road Goods Transport (CMR) ,1956	Protocol to CMR, 1978	Contract Pass. & Lugg. Rd. Transp. (CVR) , 1973	Protocol to CVR, 1978	Econ. Regulat. Road Transp. , 1954	Collision Inl. Nav. , 1960	Registr. Inl. Nav. Vessels, 1965	Measurement Inl. Nav. Vessels, 1966	Liability Vessel Owners (CLN), 1973	Protocol to CLN, 1978	Contract Inl. Nav. Pass. & Lugg. (CVN), 1976	Protocol to CVN, 1978
	Vehicles			Other Legal Instruments Related to Road Transport									Inland navigation						
	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36
UNECE EU COUNTRIES																			
Austria	X	S		X	X	X	X	X	X				X	X				S	
Belgium	X	S		X	S			X	X			S	S	S	X				
Cyprus	X	S	X	X				X	X										
Czech Republic	X	S		X	X	X	X	X		X					X				
Denmark	X	S		X	X	X	X	X	X			S							
Estonia	X	X		X				X	X										
Finland	X	X	X	X	X	X	X	X	X										
France	X	S	X	X	X			X	X			X	X	X	X				
Germany	X	S	X	X	X			X	X	S	S		X	S	X	S	S		
Greece	X	S		X				X	X			X							
Hungary	X	X	X	X				X	X				X		X				
Ireland	X	S		X	X	X	X	X	X										
Italy	X	S	X	X				X	X			X							
Latvia	X			X		X	X	X	X	X	X								
Lithuania	X			X				X	X										
Luxembourg	X			X	X	X	X	X	X	S		S		X	X				
Malta	X			X	X														
Netherlands	X	X	X	X	X	X	X	X	X			S	X	X	X				
Poland	X			X	X	X	X	X					X						
Portugal	X	S		X				X	X										
Slovakia	X	S	X	X	X	X	X	X		X					X				
Slovenia	X			X				X											
Spain	X	S	X	X				X	X										
Sweden	X	S	X	X	X	X	X	X	X			S							
United Kingdom	X	S	X	X	X	X	X	X	X			S							
EUROPEAN COMMUNITY	X		X																

	Touring Facilities, 1954	Temp. Import. Priv. Road Vehicles, 1954	TIR Convention, 1959	TIR Convention, 1975	Temp. Import.Aircraft & Boats, 1956	Temp. Import. Commerc. Vehicles, 1956	Cross. Front. Pass. Bagg. Rail, 1952	Cross. Front. Goods Rail, 1952	Spare Parts Europ Wagons, 1958	Customs Container Convention, 1956	Customs Container Convention, 1972	Customs Treatment Pallets, 1960	Harmoniz. Frontier Controls Goods, 1982	Customs Pool Containers, 1994	Dang. Goods by Road (ADR) , 1957	Protocol to ADR, 1993	Liabil. Dang. Goods (CRTD) , 1989	Dang. Goods by Inland Waterways (ADN), 2000	Perishable Foodstuffs (ATP), 1970
	Border crossing facilitation														Dangerous goods & special cargoes				
	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55
UNECE EU COUNTRIES																			
Austria	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X		X	X
Belgium	X	X	X	X	X	X	X	X	X	X		X	X		X	X			X
Cyprus	X	X	X	X		X							X		X				
Czech Republic			X	X						X	X	X	X	X	X	X		S	X
Denmark	X	X	X	X	X	X			X	X		X	X	S	X	X			X
Estonia				X									X		X	X			X
Finland	X	X	X	X	X	X				X	X	X	X		X	X			X
France	X	X	X	X	X	X	X	X	X	X		X	X		X	X		S	X
Germany	X	X	X	X	X	X			X	X		X	X		X	S	S	S	X
Greece	X		X	X		X				X	S		X		X	S			X
Hungary	X	X	X	X	X	X				X	X	X	X		X	X		X	X
Ireland	X	X	X	X		X				X			X						X
Italy	X	X	X	X	X	X	X	X	X	X		X	X	X	X	X		S	X
Latvia				X									X		X	X			X
Lithuania		X		X		X					X		X	X	X	X			X
Luxembourg	X	X	X	X	X	X	X	X	X	X		X	X		X	X		S	X
Malta	X	X	X	X	X									X					
Netherlands	X	X	X	X	X	X	X	X	X	X		X	X		X	X		X	X
Poland	X	X	X	X		X				X	X	X	X	X	X	X			X
Portugal	X	X	X	X	X	X	X	X		X		X	X		X	X			X
Slovakia			X	X						X	X	X	X	X	X	X		S	X
Slovenia	X	X		X	X	X				X		X	X	X	X	X			X
Spain	X	X	X	X	X	X		X		X	X	X	X		X	X			X
Sweden	X	X	X	X	X	X	S	S		X		X	X	X	X	X			X
United Kingdom	X	X	X	X	X	X				X		X	X	X	X	X			X
EUROPEAN COMMUNITY		X		X		X							X	X					

Legend: X = Ratification, accession, definite signature; S = Signature;

UNITED NATIONS
ECONOMIC COMMISSION FOR EUROPE
TRANSPORT DIVISION

UNECE TRANSPORT AGREEMENTS/AND CONVENTIONS

Status at 19 April 2005

	1 Construction Traffic Arteries, 1950	2 E Road Network (AGR), 1975	3 E Rail Network (AGC), 1985	4 E Comb. Tr. Network (AGTC), 1991	5 Protocol Inl. Nav. to AGTC, 1997	6 E Inl. Water Network (AGN), 1996	7 Road Traffic, 1949	8 Road Traffic, 1968	9 Protocal on Road Signs & Signals, 1949	10 Road Signs & Signals, 1968	11 Suppl. 1968 Convention Road Traffic, 1971	12 Suppl.1968 Conv. Road Signs & Signals, 1971	13 Weights and Dimensions, 1950	14 Suppl. 1949 Conv. and Protocol, 1950	15 Road Markings, 1957	16 Protocol Road Markings, 1973	17 Issue and Validity of Driving Permits (APC)	18 Vehicles Regulations, 1958	19 Techn. Inspect. Vehicles, 1997	20 Global Vehicles Regulations, 1998	21 Work of Crews Int. Road Transport (AETR), 1970	22 Taxation Priv. Road Vehic., 1956	23 Taxation Road Passenger Vehic., 1956	24 Taxation Road Goods. Vehic., 1956	25 Contract Road Goods Transport (CMR), 1956	26 Protocol to CMR, 1978	27 Contract Pass. & Lugg. Rd. Transp. (CVR), 1973
	Infrastructure networks						Road traffic and road safety											Vehicles			Other Legal Instruments Related to Road Transport						
UNECE SOUTH-EASTERN EUROPEAN COUNTRIES																											
Albania							X	X		X					X												
Bulgaria	X	X	X	X	X	X	X	X	X	X	X	X			X	X	X	X	X		X				X		
Bosnia and Herzegovina	X	X	X					X		X	X	X			X	X	X	X			X	X	X	X	X		X
Croatia		X	X	X		X		X		X	X						X	X			X				X		X
Romania	X	X	X	X	X	X	X	X	X	X	X	X			X			X	X	X	X	X	X		X	X	
Serbia and Montenegro ***	X	X	X				X	X	X	X	X	X	X	X	X	X	X	X			X	X	X	X	X		X
The FYR of Macedonia		X	X					X		X	X	X				X		X			X				X	X	
Turkey	X	X	X	X			X								X			X		X	X				X	X	
OTHER UNECE EUROPEAN COUNTRIES																											
Andorra																					X						
Iceland							X																				
Liechtenstein																					X						
Monaco							X	X	X		X																
Norway	X	X		X			X	X	S	X								X		X	X	X	X	X	X	X	
San Marino							X	X	X	X																	
Switzerland		X		X	X	X	S	X	S	X	X	X			S	X		X	S		X				X	X	

	28 Protocol to CVR, 1978	29 Econ. Regulat. Road Transp., 1954	30 Collision Inl. Nav., 1960	31 Registr. Inl. Nav. Vessels, 1965	32 Measurement Inl. Nav. Vessels, 1966	33 Liability Vessel Owners (CLN), 1973	34 Protocol to CLN, 1978	35 Contract Inl. Nav. Pass. & Lugg. (CVN), 1976	36 Protocol to CVN, 1978	37 Touring Facilities, 1954	38 Temp. Import. Priv. Road Vehicles, 1954	39 TIR Convention, 1959	40 TIR Convention, 1975	41 Temp. Import.Aircraft & Boats, 1956	42 Temp. Import. Commerc. Vehicles, 1956	43 Cross. Front. Pass. Bagg. Rail, 1952	44 Cross. Front. Goods Rail, 1952	45 Spare Parts Europ Wagons, 1958	46 Customs Container Convention, 1956	47 Customs Container Convention, 1972	48 Customs Treatment Pallets, 1960	49 Harmoniz. Frontier Controls Goods, 1982	50 Customs Pool Containers, 1994	51 Dang. Goods by Road (ADR), 1957	52 Protocol to ADR, 1993	53 Liabil. Dang. Goods (CRTD), 1989	54 Dang. Goods by Inland Waterways (ADN), 2000	55 Perishable Foodstuffs (ATP), 1970
	Other Legal Instruments Related to Road Transport		Inland navigation							Border crossing facilitation														Dangerous goods & special cargoes				
UNECE SOUTH-EASTERN EUROPEAN COUNTRIES																												
Albania											X	X	X			X	X							X				X
Bulgaria					X					X	X	X	X		X				X	X	X	X		X	X		S	X
Bosnia and Herzegovina										X	X		X		X				X		X	X		X				X
Croatia				X						X	X		X	X	X				X		X	X		X			S	X
Romania			X		X					X	X	X	X		X				X	X	X	X		X	X			X
Serbia and Montenegro ***		S	X	X	X					X	X		X	X	X				X	X	X	X		X				X
The FYR of Macedonia											X		X		X							X		X				X
Turkey										X	X	X	X							X	X							
OTHER UNECE EUROPEAN COUNTRIES																												
Andorra																												
Iceland																												
Liechtenstein																								X	X			
Monaco										S	S																	X
Norway		X								X	X	X	X		X	X	X		X		X	X		X	X			X
San Marino																												
Switzerland		S	X	X	X	S				X	X	X	X	X	X	X	X	X	X	X	X	X	S	X	X			S

Legend: X = Ratification, accession, definite signature; S = Signature; *** As of 4 February 2003, the Federal Republic of Yugoslavia changed its name to Serbia and Montenegro.

UNITED NATIONS
ECONOMIC COMMISSION FOR EUROPE
TRANSPORT DIVISION

UNECE TRANSPORT AGREEMENTS/AND CONVENTIONS
Status at 19 April 2005

	Construction Traffic Arteries, 1950	E Road Network (AGR), 1975	E Rail Network (AGC), 1985	E Comb. Tr. Network (AGTC), 1991	Protocol Inl. Nav. to AGTC, 1997	E Inl. Water Network (AGN), 1996	Road Traffic, 1949	Road Traffic, 1968	Protocal on Road Signs & Signals, 1949	Road Signs & Signals, 1968	Suppl. 1968 Convention Road Traffic, 1971	Suppl.1968 Conv. Road Signs & Signals, 1971	Weights and Dimensions, 1950	Suppl. 1949 Conv. and Protocol, 1950	Road Markings, 1957	Protocol Road Markings, 1973	Issue and Validity of Driving Permits (APC)
	Infrastructure networks						Road traffic and road safety										
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
UNECE CIS COUNTRIES																	
Armenia								X									
Azerbaijan		X						X									
Belarus		X	X	X				X		X	X	X				X	
Georgia		X		X			X	X		X		X				X	
Kazakhstan		X		X				X		X							
Kyrgyzstan							X		X								
Republic of Moldova			X	X		X		X									
Russian Federation		X	X	X		X	X	X	X	X	X	X				X	
Tajikistan								X		X							
Turkmenistan								X		X							
Ukraine		X	X					X		X	X	X				X	
Uzbekistan								X		X							
UNECE NORTH AMERICAN COUNTRIES																	
Canada							X										
United States							X										
OTHER UNECE COUNTRIES																	
Israel							X	X	S								

	Vehicles Regulations, 1958	Techn. Inspect. Vehicles, 1997	Global Vehicles Regulations, 1998	Work of Crews Int. Road Transport (AETR), 1970	Taxation Priv. Road Vehic., 1956	Taxation Road Passenger Vehic., 1956	Taxation Road Goods. Vehic., 1956	Contract Road Goods Transport (CMR), 1956	Protocol to CMR, 1978	Contract Pass. & Lugg. Rd. Transp. (CVR), 1973	Protocol to CVR, 1978	Econ. Regulat. Road Transp., 1954	Collision Inl. Nav., 1960	Registr. Inl. Nav. Vessels, 1965	Measurement Inl. Nav. Vessels, 1966	Liability Vessel Owners (CLN), 1973	Protocol to CLN, 1978	Contract Inl. Nav. Pass. & Lugg. (CVN), 1976	Protocol to CVN, 1978
	Vehicles			Other Legal Instruments Related to Road Transport									Inland navigation						
	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36
UNECE CIS COUNTRIES																			
Armenia																			
Azerbaijan	X		X	X															
Belarus	X			X				X											
Georgia		S						X	X										
Kazakhstan				X				X					X						
Kyrgyzstan								X	X										
Republic of Moldova				X	X			X							X				
Russian Federation	X	X	X	X				X					X		X	X		X	
Tajikistan								X											
Turkmenistan				X				X	X										
Ukraine	X	S																	
Uzbekistan				X			X	X	X										
UNECE NORTH AMERICAN COUNTRIES																			
Canada			X																
United States			X																
OTHER UNECE COUNTRIES																			
Israel																			

	Touring Facilities, 1954	Temp. Import. Priv. Road Vehicles, 1954	TIR Convention, 1959	TIR Convention, 1975	Temp. Import.Aircraft & Boats, 1956	Temp. Import. Commerc. Vehicles, 1956	Cross. Front. Pass. Bagg. Rail, 1952	Cross. Front. Goods Rail, 1952	Spare Parts Europ Wagons, 1958	Customs Container Convention, 1956	Customs Container Convention, 1972	Customs Treatment Pallets, 1960	Harmoniz. Frontier Controls Goods, 1982	Customs Pool Containers, 1994	Dang. Goods by Road (ADR), 1957	Protocol to ADR, 1993	Liabil. Dang. Goods (CRTD), 1989	Dang. Goods by Inland Waterways (ADN), 2000	Perishable Foodstuffs (ATP), 1970
	Border crossing facilitation														Dangerous goods & special cargoes				
	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55
UNECE CIS COUNTRIES																			
Armenia				X									X						
Azerbaijan				X		X							X		X				X
Belarus				X							X		X		X				X
Georgia				X							X		X						X
Kazakhstan				X											X				X
Kyrgyzstan				X		X							X						
Republic of Moldova				X											X			S	
Russian Federation	X	X	X	X							X		X		X	X		X	X
Tajikistan				X															
Turkmenistan				X															
Ukraine				X							X		X		X				
Uzbekistan				X		X					X		X	X					X
UNECE NORTH AMERICAN COUNTRIES																			
Canada	X	X	X	X						X	X								
United States	X	X	X	X						X	X								X
OTHER UNECE COUNTRIES																			
Israel	X	X	X	X						X									

Legend: X = Ratification, accession, definite signature; S = Signature;

UNITED NATIONS
ECONOMIC COMMISSION FOR EUROPE
TRANSPORT DIVISION

UNECE TRANSPORT AGREEMENTS/AND CONVENTIONS

Status at 19 April 2005

	Construction Traffic Arteries, 1950	E Road Network (AGR), 1975	E Rail Network (AGC), 1985	E Comb. Tr. Network (AGTC), 1991	Protocol Inl. Nav. to AGTC, 1997	E Inl. Water Network (AGN), 1996	Road Traffic, 1949	Road Traffic, 1968	Protocol on Road Signs & Signals, 1949	Road Signs & Signals, 1968	Suppl. 1968 Convention Road Traffic, 1971	Suppl.1968 Conv. Road Signs & Signals, 1971	Weights and Dimensions, 1950	Suppl. 1949 Conv. and Protocol, 1950	Road Markings, 1957	Protocol Road Markings, 1973	Issue and Validity of Driving Permits (APC)	Vehicles Regulations, 1958	Techn. Inspect. Vehicles, 1997	Global Vehicles Regulations , 1998
	Infrastructure networks						Road traffic and road safety											Vehicles		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
NON-UNECE COUNTRIES																				
Afghanistan																				
Algeria							X													
Antigua and Barbuda																				
Argentina							X													
Australia							X											X		
Bahamas								X												
Bahrain								X		X										
Bangladesh							X													
Barbados							X													
Benin							X													
Botswana							X													
Brazil								X		S										
Burundi																				
Cambodia							X		X											
Cameroon																				
Central African Republic							X	X		X										
Chile							X	S		X										
China							X[1/]	S[1/]		S[1/]										X
Congo							X													
Costa Rica								S		S										
Côte d'Ivoire							X	X		X										
Cuba							X	X	X	X										
Democratic Rep. of the Congo							X	X		X										
Dominican Republic							X		X											
Ecuador							X	S	X	S										
Egypt							X		X											
El Salvador																				
Fiji							X													
Ghana							X	S		S					X					
Guatemala							X													

	Work of Crews Int. Road Transport (AETR), 1970	Taxation Priv. Road Vehic., 1956	Taxation Road Passenger Vehic., 1956	Taxation Road Goods. Vehic., 1956	Contract Road Goods Transport (CMR) ,1956	Protocol to CMR, 1978	Contract Pass. & Lugg. Rd. Transp. (CVR) , 1973	Protocol to CVR, 1978	Econ. Regulat. Road Transp. , 1954	Collision Inl. Nav. , 1960	Registr. Inl. Nav. Vessels, 1965	Measurement Inl. Nav. Vessels, 1966	Liability Vessel Owners (CLN), 1973	Protocol to CLN, 1978	Contract Inl. Nav. Pass. & Lugg. (CVN), 1976	Protocol to CVN, 1978
	Other Legal Instruments Related to Road Transport									Inland navigation						
	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36
NON-UNECE COUNTRIES																
Afghanistan																
Algeria																
Antigua and Barbuda																
Argentina																
Australia		X														
Bahamas																
Bahrain																
Bangladesh																
Barbados																
Benin																
Botswana																
Brazil																
Burundi																
Cambodia		X														
Cameroon																
Central African Republic																
Chile																
China																
Congo																
Costa Rica																
Côte d'Ivoire																
Cuba			X	X												
Democratic Rep. of the Congo																
Dominican Republic																
Ecuador																
Egypt																
El Salvador																
Fiji																
Ghana		X	X	X												
Guatemala																

	Touring Facilities, 1954	Temp. Import. Priv. Road Vehicles, 1954	TIR Convention, 1959	TIR Convention, 1975	Temp. Import.Aircraft & Boats, 1956	Temp. Import. Commerc. Vehicles, 1956	Cross. Front. Pass. Bagg. Rail, 1952	Cross. Front. Goods Rail, 1952	Spare Parts Europ Wagons, 1958	Customs Container Convention, 1956	Customs Container Convention, 1972	Customs Treatment Pallets, 1960	Harmoniz. Frontier Controls Goods, 1982	Customs Pool Containers, 1994	Dang. Goods by Road (ADR) , 1957	Protocol to ADR, 1993	Liabil. Dang. Goods (CRTD) , 1989	Dang. Goods by Inland Waterways (ADN), 2000	Perishable Foodstuffs (ATP), 1970
	Border crossing facilitation														Dangerous goods & special cargoes				
	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55
NON-UNECE COUNTRIES																			
Afghanistan			X	X		X													
Algeria	X	X		X	X	X				X	X								
Antigua and Barbuda										X									
Argentina	X	S																	
Australia	X	X								X	X	X							
Bahamas																			
Bahrain																			
Bangladesh																			
Barbados	X	X																	
Benin																			
Botswana																			
Brazil																			
Burundi											X								
Cambodia	X	S				X				X									
Cameroon										X									
Central African Republic	X	X																	
Chile	X	X		X															
China											X								
Congo																			
Costa Rica	X	X																	
Côte d'Ivoire																			
Cuba	X	X				X				X	X	X	X	X					
Democratic Rep. of the Congo																			
Dominican Republic	S	S																	
Ecuador	X	X																	
Egypt	X	X																	
El Salvador	X	X																	
Fiji	X	X																	
Ghana	X	X																	
Guatemala	S	S																	

UNITED NATIONS
ECONOMIC COMMISSION FOR EUROPE
TRANSPORT DIVISION

UNECE TRANSPORT AGREEMENTS/AND CONVENTIONS
Status at 19 April 2005

	Construction Traffic Arteries, 1950	E Road Network (AGR), 1975	E Rail Network (AGC), 1985	E Comb. Tr. Network (AGTC), 1991	Protocol Inl. Nav. to AGTC, 1997	E Inl. Water Network (AGN), 1996	Road Traffic, 1949	Road Traffic, 1968	Protocol on Road Signs & Signals, 1949	Road Signs & Signals, 1968	Suppl. 1968 Convention Road Traffic, 1971	Suppl.1968 Conv. Road Signs & Signals, 1971	Weights and Dimensions, 1950	Suppl. 1949 Conv. and Protocol, 1950	Road Markings, 1957	Protocol Road Markings, 1973	Issue and Validity of Driving Permits (APC)	Vehicles Regulations, 1958	Techn. Inspect. Vehicles, 1997	Global Vehicles Regulations , 1998	Work of Crews Int. Road Transport (AETR), 1970	Taxation Priv. Road Vehic., 1956	Taxation Road Passenger Vehic., 1956	Taxation Road Goods. Vehic., 1956	Contract Road Goods Transport (CMR) ,1956	Protocol to CMR, 1978	Contract Pass. & Lugg. Rd. Transp. (CVR) , 1973	Protocol to CVR, 1978	Econ. Regulat. Road Transp. , 1954
	Infrastructure networks						Road traffic and road safety											Vehicles			Other Legal Instruments Related to Road Transport								
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29
Guyana								X																					
Haiti							X		X																				
Holy See							X	S	X	S				X															
Honduras																													
India							X		S	X																			
Indonesia								S		S																			
Iran, Islamic Republic of								X		X															X	X			
Iraq										X																			
Jamaica							X																						
Japan							X											X		X									
Jordan							X																						
Kuwait								X		X																			
Lao People's Dem. Rep.							X																						
Lebanon							X		S																				
Lesotho																													
Madagascar							X																						
Malawi							X																						
Malaysia							X																						
Mali							X																						
Mauritius																													
Mexico								S		S																			
Mongolia								X		X															X				
Morocco							X	X		X							X							X	X				
Namibia							X																						
Nepal																													
New Zealand							X											X		X									
Niger							X	X	X																				
Nigeria																													
Pakistan								X		X																			
Panama																													
Papua New Guinea							X																						

	Collision Inl. Nav. , 1960	Registr. Inl. Nav. Vessels, 1965	Measurement Inl. Nav. Vessels, 1966	Liability Vessel Owners (CLN), 1973	Protocol to CLN, 1978	Contract Inl. Nav. Pass. & Lugg. (CVN), 1976	Protocol to CVN, 1978	Touring Facilities, 1954	Temp. Import. Priv. Road Vehicles, 1954	TIR Convention, 1959	TIR Convention, 1975	Temp. Import.Aircraft & Boats, 1956	Temp. Import. Commerc. Vehicles, 1956	Cross. Front. Pass. Bagg. Rail, 1952	Cross. Front. Goods Rail, 1952	Spare Parts Europ Wagons, 1958	Customs Container Convention, 1956	Customs Container Convention, 1972	Customs Treatment Pallets, 1960	Harmoniz. Frontier Controls Goods, 1982	Customs Pool Containers, 1994	Dang. Goods by Road (ADR) , 1957	Protocol to ADR, 1993	Liabil. Dang. Goods (CRTD) , 1989	Dang. Goods by Inland Waterways (ADN), 2000	Perishable Foodstuffs (ATP), 1970
	Inland navigation							Border crossing facilitation														Dangerous goods & special cargoes				
	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55
Guyana																										
Haiti								X	X																	
Holy See								S	S																	
Honduras								S	S																	
India								X	X																	
Indonesia											X							X								
Iran, Islamic Republic of								X	X	X	X															
Iraq																										
Jamaica								X	X			X					X									
Japan								X	X	X							X									
Jordan								X	X	X	X															
Kuwait										X	X															
Lao People's Dem. Rep.																										
Lebanon								X			X															
Lesotho																				X						
Madagascar																										
Malawi																	X									
Malaysia								X	X																	
Mali								X	X																	
Mauritius								X	X			X					X									
Mexico								X	X																	
Mongolia											X															
Morocco								X	X	X	X							X				X		S		X
Namibia																										
Nepal								X	X																	
New Zealand								X	X									X								
Niger																										
Nigeria								X	X																	
Pakistan																										
Panama								S	S																	
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UNITED NATIONS
ECONOMIC COMMISSION FOR EUROPE
TRANSPORT DIVISION

UNECE TRANSPORT AGREEMENTS/AND CONVENTIONS
Status at 19 April 2005

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	Infrastructure networks						Road traffic and road safety											Vehicles			Other Legal Instruments Related to Road Transport								
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29
Paraguay							X																						
Peru							X																						
Philippines							X	X		X																			
Republic of Korea							X	S		S								X		X									
Rwanda							X		X																				
Saudi Arabia																													
Senegal							X	X	X	X																			
Seychelles								X		X																			
Sierra Leone							X																						
Singapore							X																						
Solomon Islands																													
South Africa							X	X										X		X									
Sudan																													
Sri Lanka							X																						
Syrian Arab Republic							X																						
Thailand							X	S	X	S																			
Togo							X																						
Tonga																													
Trinidad and Tobago							X																						
Tunisia							X	X	X	X															X	X			
Uganda							X		X																				
United Rep. of Tanzania																													
Uruguay								X																					
Venezuela							X	S		S																			
Zimbabwe							X	X																					

	Collision Inl. Nav. , 1960	Registr. Inl. Nav. Vessels, 1965	Measurement Inl. Nav. Vessels, 1966	Liability Vessel Owners (CLN), 1973	Protocol to CLN, 1978	Contract Inl. Nav. Pass. & Lugg. (CVN), 1976	Protocol to CVN, 1978	Touring Facilities, 1954	Temp. Import. Priv. Road Vehicles, 1954	TIR Convention, 1959	TIR Convention, 1975	Temp. Import.Aircraft & Boats, 1956	Temp. Import. Commerc. Vehicles, 1956	Cross. Front. Pass. Bagg. Rail, 1952	Cross. Front. Goods Rail, 1952	Spare Parts Europ Wagons, 1958	Customs Container Convention, 1956	Customs Container Convention, 1972	Customs Treatment Pallets, 1960	Harmoniz. Frontier Controls Goods, 1982	Customs Pool Containers, 1994	Dang. Goods by Road (ADR) , 1957	Protocol to ADR, 1993	Liabil. Dang. Goods (CRTD) , 1989	Dang. Goods by Inland Waterways (ADN), 2000	Perishable Foodstuffs (ATP), 1970
	Inland navigation							Border crossing facilitation														Dangerous goods & special cargoes				
	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55
Paraguay																										
Peru								X	X																	
Philippines								X	X																	
Republic of Korea											X							X								
Rwanda								X	X																	
Saudi Arabia									X				X													
Senegal								X	X																	
Seychelles																										
Sierra Leone								X	X			X	X				X									
Singapore								X	X				X													
Solomon Islands								X	X			X					X									
South Africa																				X						
Sudan									X																	
Sri Lanka								X	X																	
Syrian Arab Republic								X	X		X															
Thailand																										
Togo																										
Tonga								X	X																	
Trinidad and Tobago								X	X			X					X	X								
Tunisia								X	X		X															
Uganda								X	X												S					
United Rep. of Tanzania								X	X																	
Uruguay								X	S		X															
Venezuela																										
Zimbabwe																										

Legend: X = Ratification, accession, definite signature; S S = Signature;

Digital Access Index technical note

In 2003, the International Telecommunications Union compared the status of 178 countries in access to information and communication technologies. As a result, the Digital Access Index (DAI) was calculated. This index does not focus exclusively on just one single factor but takes eight variables into account. In doing so, the DAI is more comprehensive than a simple measure of, say, the number of Internet users in a population. The table below shows the calculation of the DAI using the data for Hong Kong, China.[124]

Category	Variable	Values for Hong Kong	Goal-post	Indicator (value÷ goalpost)	Weight	Indicator ∗weight	Category index
1. Infra-structure	1. Fixed telephone subscribers per 100 inhabitants	56.6	60[a]	0.94	1/2	0.47	0.93
	2. Mobile cellular subscribers per 100 inhabitants	91.6	100[b]	0.92	1/2	0.46	
2. Afford-ability	3. [1 – (Internet access price as percentage of Gross National Income per capita)] ∗ 100	99.8	100[c]	0.998	1	0.998	0.998
3. Know-ledge	4. Adult literacy	93.5	100[d]	0.94	2/3[d]	0.62	0.83
	5. Combined primary, secondary and tertiary school enrolment level	63.0	100[d]	0.63	1/3[d]	0.21	
4. Quality	6. International Internet bandwidth (bits) per capita	1867	10000[e]	0.88[h]	1/2	0.44	0.68
	7. Broadband subscribers per 100 inhabitants	14.6	30[f]	0.49	1/2	0.24	
5. Usage	8. Internet users per 100 inhabitants	43.0	85[g]	0.51	1	0.51	0.51
Digital Access Index (average of 5 categories above)							0.79

Notes:

a) The goalpost or maximum value for fixed telephone subscribers per 100 inhabitants has been set at 60, because this value was just exceeded by four countries around the world at the end of 2002.

b) The goalpost of 100 for mobile cellular subscribers has already been reached by two economies, Luxembourg and Taiwan. This number implies that each adult in a nation has at least one mobile phone.

c) A goalpost of 100 refers to a situation where the Internet would be free.

d) The goalposts and weightings correspond to the HDI methodology.

e) The goalpost for bits per capita is set at 10000, a level that has already been exceeded by three countries.

f) A goalpost of 30 implies that all households have a connection.

g) The goalpost of 85 is an average percentage of the worldwide population aged 10 and over.

h) Because of the large spread of values among economies, a logarithm formula was used to calculate this value.

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[124] ITU News 10/2003, available online at www.itu.int/itunews/manager/main.asp?lang=en&iYear=2003&iNumber=10